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RESTRICTIVE TRADE PRACTICES COMMISSION

REPORT

Concerning an Alleged Combine in the Manufacture,
Distribution and Sale of Transmission and Conveyor
Equipment and Related Products



DEPARTMENT OF JUSTICE
OTTAWA



EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1955.

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RESTRICTIVE TRADE PRACTICES COMMISSION

REPORT

CONCERNING AN ALLEGED COMBINE IN THE
MANUFACTURE, DISTRIBUTION AND SALE
OF TRANSMISSION AND CONVEYOR
EQUIPMENT AND RELATED
PRODUCTS

COMBINES INVESTIGATION ACT

Ottawa
1955

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RESTRICTIVE TRADE PRACTICES COMMISSION

C. Rhodes Smith, Q.C., M.A., LL.B., B.C.L.
Chairman

Guy Roberge, B.A., LL.L.
Member

A. S. Whiteley, B.A., M.A.
Member

RESTRICTIVE TRADE PRACTICES COMMISSION

Room 451, Justice Building,
Ottawa, December 12, 1955

Honourable Stuart S. Garson, Q.C.,
Minister of Justice,
Ottawa, Ontario

Sir:


I have the honour to submit to you herewith the report of the Restrictive Trade Practices Commission dealing with an alleged combine in the manufacture, distribution and sale of transmission and conveyor equipment and related products.

The matter was brought before the Commission by the submission of a statement of the evidence obtained in the inquiry by the Director of Investigation and Research under the Combines Investigation Act and has been dealt with in accordance with the provisions of Sections 18 and 19 of the Act.

Argument on the Statement of Evidence was heard by the Commission at Ottawa from May 16 to 20, 1955 and at Winnipeg on June 6, 1955. Counsel appearing on behalf of parties mentioned in the Statement of Evidence were at Ottawa, Hon. Salter A. Hayden, Q.C., Messrs. J. M. Godfrey, Q.C., Malcolm Robb, Q.C., J. B. O'Connor and G. D. Finlayson and, at Winnipeg, Messrs. C. D. Shepard, Q.C., D. A. Thompson, Q.C., M. W. Riley, Q.C., A. C. Findlay, D. C. McGavin and G. D. Finlayson. Counsel for the Director on both occasions was Mr. F. N. MacLeod.

Yours faithfully,

(Sgd.) C. R. Smith
Chairman



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CHAPTER I

INTRODUCTION

1. Reference to the Commission

This inquiry, which was begun by the Director of Investigation and Research, arose out of an informal complaint about alleged price fixing in the sale and distribution of transmission chain. Preliminary inquiries indicated the existence of a related field or industry based on the designing, assembling and erecting of installations for the conveying of material and the transmission of power and the supplying of chains, belts, gears and supplementary products for these uses. The inquiry has been concerned with this field and with certain practices of the Conveyor and Power Transmission Institute of Canada and its members, all of which have head offices in Ontario or Quebec. The inquiry was also concerned with certain practices of five machinery firms with head offices in the Prairie Provinces.

On March 9, 1955, the Director of Investigation and Research submitted to the Restrictive Trade Practices Commission a statement of the evidence obtained in the inquiry, advising that in accordance with Section 18(1) of the Combines Investigation Act he was submitting copies of the Statement of Evidence to each of the parties against whom an allegation was made therein.

2. Parties Named in Allegations

The following descriptions of companies which composed the membership of the Conveyor and Power Transmission Institute of Canada were given in the Statement of Evidence:

Link-Belt Limited (hereinafter sometimes referred to as "Link-Belt") is a wholly-owned subsidiary of Link-Belt Company, Chicago, U.S.A. Its head office is in Toronto and it has plants in Toronto, Scarborough and Elmira, Ontario. It has sales offices in Toronto, Montreal, Swastika, Hamilton, Winnipeg and Vancouver and a number of jobbers or distributors. It is an important manufacturer of chain and of various products in the conveyor and transmission field.

United Steel Corporation Limited⁽¹⁾ (hereinafter sometimes referred to as "United Steel") is a Canadian controlled company. The company operates several divisions one of which, the Dodge Manufacturing Division, is the division chiefly engaged in the conveyor and transmission field. The Dodge Manufacturing Division has a plant in Toronto and sales offices in Toronto, Montreal and Kirkland Lake. It sells through distributors in certain other parts of Canada. It is an important manufacturer in the conveyor and transmission field.

Jeffrey Manufacturing Company Limited (hereinafter sometimes referred to as "Jeffrey") is a wholly-owned subsidiary of the Jeffrey Manufacturing Company, Columbus, Ohio.⁽²⁾ Its head office and factory are in Montreal and it has sales offices in Toronto. It has jobbers or distributors throughout Canada. It is an important manufacturer of chain and other products in this field.

Forano Limited (hereinafter sometimes referred to as "Forano") is a Canadian controlled company with its head office and factory in Plessisville, P.Q. It was formerly the Plessisville Foundry Limited. It has sales offices in Montreal and jobbers or distributors in various parts of Canada. It manufactures agricultural implements, sawmill machinery and various other lines besides conveyor and transmission equipment.

Stephens-Adamson Manufacturing Company of Canada, Limited (hereinafter sometimes referred to as "Stephens-Adamson") is a wholly-owned subsidiary of the Stephens-Adamson Manufacturing Company of Aurora, Illinois. Its head office and plant are at Belleville, Ontario and it has sales offices in Montreal, Toronto and Vancouver. It is an important company in the conveyor and transmission field.

Bond Engineering Works Limited (hereinafter sometimes referred to as "Bond") is a wholly-owned subsidiary of The Charles Bond Company, Philadelphia. Its head office is in Toronto. This company is not now an important factor in the conveyor or power transmission fields as the trend in recent years to direct drive power transmission has eliminated much of the demand for pulleys which formed an important part of the company's business. It now specializes in casters.

-
- (1) United Steel Corporation Limited was incorporated in 1933 at which time it bought the assets of Dodge Manufacturing Company Limited.
- (2) This description was amended, as a result of evidence given before the Commission, to The Jeffrey Company, which is the correct name of the parent company.

Webster-Smallwood Limited (hereinafter sometimes referred to as "Webster-Smallwood") is a Canadian company in which United States' interests hold certain shares. This firm has no manufacturing facilities and purchases its material and sub-contracts the installation of any conveyor or transmission system it installs. The company was formerly known as Webster-Inglis Limited.

The firms in Western Canada, sometimes referred to in the evidence as the "Prairie Manufacturers", were described in the Statement as follows:

Strong-Scott Limited (hereinafter sometimes referred to as "Strong-Scott") is a Canadian controlled company with its head office and plant in Winnipeg. It has sales offices in Calgary and in Toronto.

Manitoba Bridge & Engineering Works Limited (hereinafter sometimes referred to as "Manitoba Bridge") in Winnipeg, Riverside Iron & Engineering Works Limited (hereinafter sometimes referred to as "Riverside") in Calgary, and Standard Iron & Engineering Works Limited (hereinafter sometimes referred to as "Standard Iron") in Edmonton are all subsidiary companies of the Dominion Bridge Company, Limited.

Vulcan Iron & Engineering Limited⁽³⁾ (hereinafter sometimes referred to as "Vulcan") with its head office and plant in Winnipeg and a sales office in Toronto is a subsidiary of the Bridge & Tank Company of Canada, Limited.

3. Hearings and Witnesses

In the course of the inquiry hearings for the taking of evidence were held before a member of the Restrictive Trade Practices Commission in Montreal, Toronto, Winnipeg, Calgary and Edmonton, between April and July, 1954, when the following witnesses were examined by counsel for the Director of Investigation and Research:

-
- (3) Vulcan Iron and Engineering Limited was incorporated in 1947. It acquired certain assets of Vulcan Iron Works Ltd. which ceased to exist.

T. V. S. Wiggins	- Combines Investigation Officer
Harry Graham	- General Manager, Bond Engineering Works Limited
F. C. Stanyer	- Plant Superintendent and Purchasing Agent, Bond Engineering Works Limited
J. T. Crowder	- Secretary, Conveyor and Power Transmission Institute of Canada
M. L. Grigg	- Employee of J. T. Crowder, Secretary, Conveyor and Power Transmission Institute of Canada
T. H. Mitchell	- Direct Mail Advertising Limited
D. W. Campbell	- District Sales Manager, Forano Limited
J. A. Forand	- President and General Manager, Forano Limited
P. M. Forand	- General Sales and Publicity Manager, Forano Limited
L. P. Hebert	- Assistant General Manager of Sales, Forano Limited
Paul Lalonde	- Salesman, Forano Limited
B. H. McGuinness	- Vice-President and General Manager, Hewitt-Robins (Canada) Limited
E. N. Bigney	- Vice-President in charge of sales and Secretary, Jeffrey Manufacturing Company Limited
C. E. Cornell	- District Manager, Toronto office, Jeffrey Manufacturing Company Limited
C. W. Rudge	- President and Treasurer, Jeffrey Manufacturing Company Limited
John Farley	- President and General Manager, Link-Belt Limited
H. S. Fursman	- Vice-President and General Sales Manager, Link-Belt Limited
W. C. Kirkpatrick	- District Manager, Montreal office, Link-Belt Limited
P. G. Welford	- Formerly Vice-President and General Sales Manager, Link-Belt Limited
A. W. Williams	- General Production Sales Manager, Link-Belt Limited
K. B. Schioler	- Sales Manager, Manitoba Bridge & Engineering Works Limited
H. Frohn	- Murdock Duplicator & Stationery
E. W. Dunlop	- General Sales Manager, Riverside Iron & Engineering Works Limited
R. M. Dingwall	- Vice-President and Manager, Standard Iron & Engineering Works Limited

W. H. McKinnon	- Secretary-Treasurer, Standard Iron & Engineering Works Limited
G. A. Freeman	- President and General Manager, Stephens-Adamson Manufacturing Company of Canada, Limited
T. M. O'Neill	- District Manager, Montreal office, Stephens-Adamson Manufacturing Company of Canada, Limited
E. H. Walters	- District Manager, Toronto office, Stephens-Adamson Manufacturing Company of Canada, Limited
R. A. Hamlin	- Accountant, Strong-Scott Limited
W. S. Linton	- Manager, Toronto office, Strong-Scott Limited
A. R. McPherson	- Vice-President, Strong-Scott Limited
L. A. Storey	- Manager, Calgary office, Strong-Scott Limited
G. A. Ferrier	- Manager, Montreal office, Dodge Manufacturing Division of United Steel Corporation Limited
A. G. House	- General Manager, Dodge Manufacturing Division, United Steel Corporation Limited
W. T. E. Smith	- General Sales Manager and Assistant General Manager, Dodge Manufacturing Division, United Steel Corporation Limited
D. R. Cameron	- Sales Manager, Vulcan Iron & Engineering Limited
R. L. Smallwood	- Webster-Smallwood Limited

Throughout the evidence, documents are referred to by the serial number assigned to the individual document. However the documents also bear code numbers identifying them with the business premises on which they were found. In this report documents will be designated by both code and serial numbers. The relationship between code number and serial number and the corresponding premises is shown in the following schedule:

<u>Serial Numbers</u>	<u>Code Letters</u>	<u>From the premises of:</u>
1 to 2,305	FOP	Forano Limited, Plessisville, P.Q.
2,305 to 2,994	JEM	Jeffrey Manufacturing Company Limited, 300 St. Patrick Street, Montreal, P.Q.

<u>Serial Numbers</u>	<u>Code Letters</u>	<u>From the premises of:</u>
2,995 to 4,121	SAM	Stephens-Adamson Manufacturing Company of Canada, Limited, 345 Canada Cement Building, Montreal, P.Q.
4,123 to 5,166	UCM	United Steel Corporation Limited (Dodge Manufacturing Division), 433 St. Martins Street, Montreal, P.Q.
5,167 to 5,185	LBM	Link-Belt Limited, 945 Beaumont Street, Montreal, P.Q.
5,186 to 5,656	2 FOP	Second visit - Forano Limited, Plessisville, P.Q.
5,657 to 6,204	TCP	Conveyor and Power Transmission Institute of Canada, 104 Jarvis Street, Toronto, Ontario
6,205 to 6,487	RYR	Bond Engineering Works Limited, Villiers and Munitions Street, Toronto, Ontario
6,488 to 8,268	LBT	Link-Belt Limited, 731 Eastern Avenue, Toronto, Ontario
9,519 to 9,834	TSA	Stephens-Adamson Manufacturing Company of Canada, Limited, 67 Yonge Street, Toronto, Ontario
9,835 to 10,087	DXM	Direct Mail Advertising Limited, 32 Davenport Road, Toronto, Ontario
10,088 to 10,197	JET	Jeffrey Manufacturing Company Limited, 80 Sherbourne Street, Toronto, Ontario
10,198 to 10,216	MRY	Murdock Rex Rotary Duplicator Company, 259 Spadina Avenue, Toronto, Ontario
10,217 to 11,506	DMD	United Steel Corporation Limited (Dodge Manufacturing Division), 58 Pelham Avenue, Toronto, Ontario
12,097 to 12,456	SAB	Stephens-Adamson Manufacturing Company of Canada, Limited, 30 Franklin Street, Belleville, Ontario
12,457 to 13,142	LBV	Link-Belt Limited, 2250 Boundary Road, Vancouver, B.C.
13,143	CWB	C. W. Brockley & Company, Limited, 1 Alexander Street, Vancouver, B.C.

<u>Serial Numbers</u>	<u>Code Letters</u>	<u>From the premises of:</u>
13,145 to 13,181	BBC	B. C. Conveyor Machinery Limited, 3300 Fraser Street, Vancouver, B. C.
15,000 to 15,061	HRC	Hewitt-Robins (Canada) Limited, 2052 St. Catherine Street West, Montreal, P.Q.
15,062 to 15,105	2 FOM	Second visit - Forano Limited, 340 Canada Cement Building, Montreal, P.Q.
15,106 to 15,249	FOM	First visit - Forano Limited, 340 Canada Cement Building, Montreal, P.Q.
15,250 to 15,472	VIE	Vulcan Iron & Engineering Limited, Sutherland Avenue and Maple Street, Winnipeg, Manitoba
15,473 to 15,754	MBE	Manitoba Bridge & Engineering Works Limited, 845 Logan Avenue, Winnipeg, Manitoba
15,755 to 16,219	SSW	Strong-Scott Limited, 772-782 Dufferin Avenue, Winnipeg, Manitoba
16,220 to 16,339	SSL	Strong-Scott Limited, 122 - 11th Avenue West, Calgary, Alberta
16,340 to 16,612	RIE	Riverside Iron & Engineering Works Limited, 803 - 24th Avenue South East, Calgary, Alberta
16,648 to 16,968	SEW	Standard Iron & Engineering Works Limited, 107th Avenue and 121st Street, Edmonton, Alberta

On receipt of the Statement of Evidence submitted by the Director, the Commission by orders dated March 29 and April 4, 1955, fixed Monday, May 16, 1955, at 10 o'clock in the forenoon, in a court room in the Exchequer Court of Canada, in the City of Ottawa and Monday, June 6, 1955, at 10 o'clock in the forenoon in a room in the Law Courts Building, in the City of Winnipeg, as the dates, times and places at which argument in support of the Statement of Evidence could be submitted and at which persons against whom any allegation had been made in such Statement would be allowed full opportunity to be heard in person or by counsel, in conformity with Section 18(2) of the Combines Investigation Act. In giving notice thereof, the Commission further informed the parties that at the hearings they would have the opportunity of further examining any witness who had

been called during the course of the inquiry or of having called any additional witnesses or of submitting additional documentary evidence.

At the hearing at Ottawa which began on May 16 and concluded on May 20, 1955, the following appearances were entered:

F. N. MacLeod, Esq.	For Director of Investigation and Research
Hon. Salter A. Hayden, Q.C. and G. D. Finlayson	For United Steel Corporation Limited
J. M. Godfrey, Esq., Q.C.	For Link-Belt Limited
J. B. O'Connor, Esq.	For Jeffrey Manufacturing Company Limited
Malcolm Robb, Esq., Q.C.	For Stephens-Adamson Manufacturing Company of Canada, Limited

The Commission was advised by letters from or on behalf of Forano Limited, Webster-Smallwood Limited and Bond Engineering Works Limited that these companies would not be represented in the proceedings before the Commission.

In the course of the hearing at Ottawa certain exhibits were filed and the following witnesses were examined:

Ross Read, Comptroller, United Steel Corporation Limited

Ernest Bigney, Vice-President in charge of sales, Jeffrey Manufacturing Company Limited

At the hearing at Winnipeg on June 6, 1955, the following appearances were entered:

F. N. MacLeod, Esq.,	For Director of Investigation and Research
C. D. Shepard, Q.C. and D. A. Thompson, Q.C.	For Vulcan Iron & Engineering Limited
A. C. Findlay	For Manitoba Bridge & Engineering Works Limited
H. W. Riley, Q.C.	For Standard Iron & Engineering Works Limited, Edmonton, and Riverside Iron & Engineering Works Limited, Calgary

D. C. McGavin

For Strong-Scott Limited

G. D. Finlayson

For United Steel Corporation
Limited, Link-Belt Limited,
Jeffrey Manufacturing Company
Limited, and Stephens-Adamson
Manufacturing Company of
Canada, Limited.

4. Allegations

The following allegations were contained in the Statement of Evidence:

"One of the allegations made herein is that, for many years, both prices of a large number of products used in this field and general pricing instructions designed to produce uniform practices in pricing complete units have been prepared, largely by Link-Belt, sometimes without discussion but at other times following discussion among the members of the Institute and have been published and distributed to the members of the Institute. These prices and price instructions have been followed, at least as guides, by all members. However, while this summary sets out the situation generally, it is in some ways an over-simplification and some further explanation is required. . . . [The] position of Link-Belt, Jeffrey, Stephens-Adamson, United Steel and Forano is somewhat different than that of Bond and Webster-Smallwood (or its predecessor - Webster-Inglis). The description of the practices set out is wholly applicable only to the first group who are important manufacturers and fabricators. The last two companies operate on a much smaller scale . . ."

"The evidence of the issue of common price and discount information and instructions on pricing practices to all members in the manner outlined above is clear. The real point in the inquiry is whether or not the issuing of such material and the use made of it, considered against the background of the general situation in the industry and the practices of the members, constituted an arrangement in restraint of trade in the manufacture, distribution and sale of products with which the members dealt."

The domination of the industry by the members which is alleged was in the design and installation of so-called complete units and in the supplying of products special to the field. There are no statistics relating to these particular matters."

"DETRIMENT TO THE PUBLIC

The evidence which has been reviewed in this Statement indicates:

- (1) From at least the early 1930's there has been an association of firms engaged in the conveyor and transmission industry in Canada. The association has for some years been known as the 'Institute'.
- (2) The more important firms in the industry have been members of the Institute. This applies particularly to those firms engaged in the designing, assembling, fabricating and erection of so-called complete units.
- (3) Certain firms in the Prairie Provinces, sometimes referred to as the 'Prairie Manufacturers', while not members of the Institute, co-operated with the members of the Institute in pricing arrangements.
- (4) Since the early 1930's common pricing material has been issued to all Institute members including, inter alia,
 - (a) tables of 'list prices' so-called,
 - (b) tables of discounts for use with the 'list prices' to determine actual selling prices,
 - (c) lists of firms entitled to various classes of discounts, and,
 - (d) instructions for pricing complete units or installations, including schedules of charges for engineering services, erection of equipment, pricing of purchased materials, and other matters.
- (5) The price material referred to in paragraph (4) was prepared largely by Link-Belt on whom this work appears to have been devolved by mutual agreement among the members of the Institute. In some cases prices and discounts were discussed by the members, in other cases they were prepared and published without discussion. Very infrequently pricing material was prepared by other members of the Institute besides Link-Belt.
- (6) The evidence indicates that prices as determined by the pricing material were high.
- (7) Prices as determined by the pricing material were followed as a matter of course on routine merchandise sales. The volume of such sales varied from member to member and it is impossible to determine what proportion of total sales

such sales constituted.

- (8) Prices as determined by the pricing material were used as a guide in determining prices on non-routine sales and, while these prices were sometimes departed from, the evidence indicates that such prices were followed to a substantial degree.
- (9) Prices as determined by the pricing material were used in estimating the total price of a complete unit. The total price so arrived at was sometimes changed but again the evidence indicates that prices of complete units generally reflected the prices and pricing instructions as set out in the pricing material.
- (10) Because of differences in design and in calculation of weight and other factors, it is unusual for different firms to arrive at identical total prices for a complete unit even though both use identical prices for component parts and material.
- (11) The instructions in the pricing material dealing with the pricing of complete units was designed to produce uniformity in the method of pricing and not identical prices.
- (12) In numerous instances specific agreements were entered into by some of the members as to the pricing of component elements of complete units. Many such agreements were made in cases where it was felt desirable to cut the price as determined by the pricing material.
- (13) In a limited number of instances there is evidence of agreement among certain of the members as to the price each would quote on a particular complete unit.
- (14) The role of the so-called 'Prairie Manufacturers' in the arrangements of the members of the Institute appears to have been comparatively minor and to have consisted essentially in following the prices and pricing practices established by the members of the Institute.
- (15) Independently of the members of the Institute, the 'Prairie Manufacturers' used a common price and discount list relating chiefly to grain elevator equipment. This list was prepared by discussion and agreement although there is some evidence that one firm - Strong-Scott - played a dominant role in its preparation.

- (16) The evidence indicates that at the date of the inquiry various factors, the chief of which appears to have been the entry of United States firms into the Canadian market, were increasing competition in the industry and tending to break down the control previously exercised by the members of the Institute.

The detriment to the public resulting from these arrangements is obvious. In so far as the pricing system was followed, price competition was eliminated and the public was charged the prices fixed by arrangement among the members of the Institute. The public was thus deprived of the benefits of competition. Moreover there is direct evidence that the prices charged were high and that accordingly actual specific detriment resulted. In the instances of specific agreement on particular tenders which have been referred to in detail, it is possible to measure the resulting detriment.

The agreements and arrangements disclosed by this inquiry were particularly objectionable because of the pricing practices of the members. Prices of complete units were, by design, quoted as totals only so that the prices of component parts and materials and for engineering and other services were merged in the total and could not be checked by the purchaser. Moreover differences in total prices resulting from differences in design concealed the fact that common fixed prices for component elements were used by all members of the Institute."

"ALLEGATIONS

It is alleged:

- (1) That the members of the Institute, viz:

Bond Engineering Works Limited,
Forano Limited,
Jeffrey Manufacturing Company Limited,
Link-Belt, Limited,
Stephens-Adamson Manufacturing Company of Canada,
Limited,
United Steel Corporation Limited, and
Webster-Smallwood Limited

have by actual or tacit contract, agreement or arrangement:

- (a) fixed common prices for,
- (b) enhanced prices of, and
- (c) in matters ancillary to the foregoing, otherwise prevented or lessened competition in the manufacture,

distribution and sale of

transmission and conveyor equipment and related products and of complete installations embodying such equipment.

- (2) That by supplementary or ancillary contracts, agreements or arrangements the said members of the Institute fixed prices of component products or material for the purposes of certain particular sales or transactions.
- (3) That by further supplementary or ancillary contracts, agreements or arrangements some of the said members of the Institute, including:

Forano Limited,
Jeffrey Manufacturing Company Limited,
Stephens-Adamson Manufacturing Company of Canada,
Limited and
United Steel Corporation Limited

fixed the total price which each quoted for the supplying of certain particular complete installations. Although these contracts, agreements or arrangements were among particular companies they were extensions or applications of the general contracts, agreements or arrangements among the members of the Institute designed to prevent or lessen competition in the industry.

- (4) That the firms sometimes referred to as the Prairie Manufacturers, viz:

Manitoba Bridge & Engineering Works Limited,
Riverside Iron & Engineering Works Limited,
Standard Iron & Engineering Works Limited,
Strong-Scott Limited, and
Vulcan Iron & Engineering Limited

have been privies to and have co-operated with the members of the Institute in carrying out the contract, agreement or arrangement referred to in sub-paragraph (1) of this paragraph.

- (5) That the said Prairie Manufacturers have by actual or tacit contract, agreement or arrangement among themselves
 - (a) fixed common prices for, and
 - (b) in matters ancillary to the foregoing, otherwise prevented or lessened competition in the manufacture, distribution and sale of

transmission and conveyor equipment and related products and in particular of machinery and equipment for grain elevators.

- (6) That all of the foregoing contracts, agreements or arrangements have operated to the detriment of the public within the meaning of the Combines Investigation Act and have enhanced prices and prevented or lessened competition unduly within the meaning of the Criminal Code. They have so operated both generally and as parts of an overall contract, agreement or arrangement among the companies named to restrain competition in the industry."

5. Position Taken with Respect to the Allegations
by the Respective Parties

The parties against whom allegations were made in the Statement of Evidence had been notified in advance that they would be expected to state their position at the opening of the hearing for argument in regard to the presentation of facts and conclusions made therein. The principal submissions made at the opening of the hearings or contained in the letters sent on behalf of Forano Limited and Webster-Smallwood Limited may be summarized as follows:

1. In general, it was denied that any company had been party to any contract, agreement or arrangement as alleged in the Statement of Evidence.

2. On behalf of companies in Eastern Canada and in Western Canada it was denied that there had been co-operation between them as alleged in the Statement of Evidence.

3. It was also denied that the evidence supported conclusions that any practices had resulted in detriment to the public.

4. With respect to members of the Conveyor and Power Transmission Institute of Canada it was contended that the evidence failed to show that the companies who had constituted the membership dominated the industry. It was submitted that there were important firms outside the Institute and a large number of firms as well which were engaged in the industry. It was further represented in some briefs that the Statement of Evidence did not take into account sufficiently additional competition which was provided by substantial imports.

5. On behalf of United Steel it was contended that the preparation of price material did not devolve upon Link-Belt by mutual agreement, as alleged, but that Link-Belt took it upon itself to prepare the

price book and it was supplied to other members of the Institute in the hope that it would be followed since Link-Belt did not want to start a price war.

6. It was denied on behalf of United Steel that the prices of complete units generally reflected the prices and pricing instructions as set out in the pricing material. It was submitted that because of the differences in design and in calculation of weight and other factors, it is unusual for different firms to arrive at identical total prices for a complete unit even though both use identical prices for component parts and material. The intention in circulating the pricing material was to produce uniformity in the methods of pricing and not identical prices. It was further submitted that the use of the pricing material did not produce uniform prices but was a method by which a sort of basic complete unit price was arrived at. The members gave many considerations at that point before tendering a higher or a lower price and before deciding what to give up to get a chance at the job. It was contended that almost all the material cited by the Director in his Statement of Evidence shows that on any given job, the so-called end price was always different from the price as it would be if it was a computation based solely on the common pricing material.

7. In general, it was submitted that the evidence did not support the allegation that the prices as determined by the pricing material were high. It was contended that the actual prices charged by the respective companies either on contract or merchandise sales were reasonable.

8. On behalf of Stephens-Adamson it was submitted that it was a perfectly normal and reasonable thing to have a price book to use as a guide. It was stated that the very essence of the materials handling business is that each competitor has its own method, its own plans, its own weight and layout and its own specialty items which it proposes to use as components. Thus, it was not possible to agree on prices and the evidence in the inquiry as to tenders bears this out.

9. It was generally submitted on behalf of manufacturers in Western Canada that the Statement of Evidence did not interpret accurately the positions of Western firms in regard to price material sent to them by Eastern manufacturers. It was submitted that Western manufacturers were purchasers in a very limited way of some products made by Eastern manufacturers and that the price material was received by them as customers. It was stated on behalf of Manitoba Bridge that the company's business in transmission and conveyor equipment would be less than 3% of the total volume. The proportion in the case of Riverside was said to be less than 1% and in the case of Standard, less than one-half of 1%.

In the brief on behalf of Jeffrey objection was made to what was described as a change in the scope of the investigation which had been indicated at the outset of the inquiry by the Director to be directed to "manufacture, distribution and sale of transmission chain and related products". It was submitted that the Director had no authority to extend the inquiry as it proceeded to include the "designing, assembling and erecting of installations for the conveying of material and the transmission of power and the supplying of belts, gears and supplementary products for these uses". Other counsel argued that the exact nature of the industry and the aspects of it to which the allegations related had not been defined with sufficient particularity during the course of the inquiry or in the Statement of Evidence.

Counsel for the Director referred to the fact that at an early stage of the inquiry question had been asked by one counsel as to the scope of the investigation and a reply had been made on behalf of the Director that any matter relating to the field of conveying materials and transmission of power as described above was considered relevant to the inquiry. Copies of this reply were sent to other interested counsel.

In giving the ruling of the Commission rejecting the argument that the inquiry had been improperly extended the Chairman pointed out that when an inquiry is instituted facts very frequently come to light which indicate that the circumstances involved are wider than were indicated in the information on which the inquiry was begun. In making the examination it might well be essential to inquire into all related fields. The only question which would seriously interfere would be whether the parties are prejudiced at any stage of the inquiry. In the present case, before any witness was examined on oath, the Director had written to counsel pointing out his attitude and the scope which the inquiry was intended to follow. In the opinion of the Commission, therefore, all parties and their counsel were fully aware of the actual scope of the inquiry during the whole course of the proceedings in which witnesses were examined.

CHAPTER II

THE FIELD OF THE INQUIRY

1. Nature of the Industry

It has already been noted that the matters embraced in the inquiry fell in the general industrial field of conveying and transmission machinery and installations embodying such products. To serve the highly varied needs of modern industry for mechanical equipment in the handling of materials and the transmission of power, conveying and transmission machinery and installations incorporating them must be provided in many forms and combinations. The role played by conveyors of materials is described in the following way in an extract from the engineering catalogue of one firm cited in the Statement of Evidence:

"Probably no single element has played a more vital role in the development of modern industry than the mechanical handling of materials. From the procurement of raw materials to the final processing of finished products, conveying systems are the keystone of mass production. Conveyors make possible the smooth flow of material through a plant, synchronizing operations and moving large quantities without backbreaking human effort.

Conveyors take many forms, from belt conveyors to chain conveyors, from feeders to unloaders, from bucket elevators to skip hoists. They carry materials any distance, from a span of a few feet to distances measured in miles. They carry light, fine materials or very heavy objects."

In addition to what might be termed heavy conveyors there are also light conveyors which were not included in the inquiry. The following reference is made to this branch of the industry in the Statement of Evidence:

"It should also be noted that there is a recognized branch of the conveyor field specializing in light conveyors. These are used for carrying light packages. An example would be the type of conveyor sometimes used at checking-out counters in supermarkets. This branch of the industry is not dealt with in this Statement."

A considerable amount of technical information regarding types of conveying and transmission machinery and installations and

the purposes to which various systems may be put is contained in the transcript of the proceedings and in the Statement of Evidence. As would be expected this points up the complex nature of the industry whose products and installations serve the multitude of industries requiring the mechanical handling of materials or the transmission of power in a great variety of ways. No attempt will be made to recapitulate this highly technical information as it is not possible to present it in summary form.

The evidence indicates that in the heavy conveyor field the great bulk of equipment appears to be installations designed and constructed for the special use of a particular customer. No two major installations are likely to be exactly the same and in designing a system for a particular purpose different engineers would be very likely to prepare specifications with different weights of parts and differing combinations of products. It also appears to be the case frequently that modifications in design or specifications are possible in systems to serve the same purpose.

In the fabrication and construction of conveyor and transmission systems a wide variety of products may be required by way of machinery and structural parts. The particular products and parts required in any installation will depend upon the design and specifications. These may require products and structural parts which are used in other industrial fields as well as items which are used particularly in the conveyor or power transmission fields or which may be designed or fabricated for the particular purpose of the installation. The view was expressed by the Director in the Statement of Evidence that, -

"In summary, the industry is one in which standard products of many industries along with special products or specially constructed sizes and shapes of products are used to assemble and fabricate systems for moving material and transmitting power."

2. Statistical Information

The Statement of Evidence contained certain statistical tables, one group of which was based on information reported in connection with the annual Census of Industry conducted by the Dominion Bureau of Statistics for the manufacture of conveying and elevating machinery produced in Canada and another on figures for imports of certain designated classes of products which might include certain types of conveying or transmission equipment and parts. Included in the first group of tables were figures for the production of members of the Conveyor and Power Transmission Institute of Canada from whom the

Director had obtained authority to examine their D.B.S. returns. During the hearing before the Commission, counsel for United Steel submitted additional statistics embracing, in the main, the amount of duty applying to the imports shown in the tables in the Statement of Evidence and the value of exports to Canada from the United States of classes of conveyor and transmission equipment and parts as shown in the reports of the U.S. Department of Commerce.

The tables derived in this manner are included in an appendix to this report. They show the scale of manufacturing in Canada on the part of members of the Conveyor and Power Transmission Institute of Canada and others of products which are enumerated for statistical purposes and which come within the general field of conveying and power transmission machinery. They also show the changes in the value of such products over a period of years and the considerable increase in the value of production and imports in recent years.

Study of the statistical information contained in the Statement of Evidence and in the exhibits filed at the hearing makes clear, as was pointed out in the Statement of Evidence, that statistics relating directly and exclusively to the field under inquiry are not available. As the trade in conveyor and transmission systems and parts may include the merchandising of particular items, the assembly or fabrication of parts and materials from a variety of sources and the erection or installation of such assembled and fabricated parts, information relating to direct manufacture within a factory will embrace only a portion of the trade. The proportion of purchased parts which may be used by a company in installing a particular conveyor or transmission system may form a large part of the total value of the contract. The Commission was informed, in the case of one substantial contract, that purchased equipment amounted to 75% of the value of material. Such purchased equipment might be secured from other manufacturers of conveyor or transmission machinery in Canada, from manufacturers in other fields or by importation from the United States or other countries. The only members of the Conveyor and Power Transmission Institute who manufacture chain are Link-Belt and Jeffrey. Rubber belting, which is purchased by companies engaged in installing conveyor and transmission systems, is made by the rubber industry and electric motors and associated electrical equipment are largely made in the electrical apparatus and supplies industry. It is also the case that in the available statistical information there is no distinction between equipment and parts for light and heavy conveyor systems.

It was argued by counsel for United Steel that in spite of the limitations which were apparent in the statistics furnished to the Commission they could be relied upon to determine that the particular group of companies composing the membership of the Conveyor and Power Transmission Institute of Canada represented a small segment of the entire field of the supply and installation of conveyor and power

equipment and parts. Even if, from the viewpoint of manufacturing and imports, this group of companies comprises only a segment of the industry we do not feel that the use of such statistical information can be of assistance to the Commission in making an appraisal of the effects of the practices disclosed by the evidence in the inquiry. Moreover for the reasons stated above we have not found that data relating directly to the field under inquiry can be derived from the statistics presented to the Commission and we shall, therefore, rely on other evidence in making our appraisal.

CHAPTER III

THE CONVEYOR AND POWER TRANSMISSION INSTITUTE OF CANADA

1. Organization of the Institute

The evidence does not indicate the exact date of organization of the Conveyor and Power Transmission Institute of Canada but it was apparently some time between 1934 and 1938. There was apparently a less formal association, to which no name is given in the evidence, which preceded the formation of the Institute. Until the resignation of Webster-Smallwood from the Institute on July 23, 1952 and that of Stephens-Adamson about May, 1953, the membership of the Institute apparently remained unchanged, the members being Link-Belt, United Steel, Jeffrey, Forano, Stephens-Adamson, Bond and Webster-Smallwood. In the descriptions given earlier of the various companies it has been mentioned that Bond has had diminishing activity in the conveyor and power transmission field. It has also been mentioned that Webster-Smallwood has no manufacturing facilities and purchases its materials and sub-contracts the installation of any conveyor or transmission systems it installs. In the merchandising of parts, that is the sale of articles separately from complete installations or systems, Link-Belt and United Steel appear from the evidence to have the more important positions among members of the Institute while Stephens-Adamson does a very limited merchandise business.

Subject to these qualifications, the Statement of Evidence describes the members of the Institute as "firms who engage in

- (a) the manufacture of certain of the products used in conveyor and transmission work and more particularly those products special to the field,
- (b) the design, assembly, fabrication and erection of conveyor and transmission systems, and
- (c) the merchandising of products related to this field whether manufactured by the members or not."

The Institute is an unincorporated body with by-laws which were last reviewed in 1947. It has officers elected from the representatives of the member companies and for all but a brief period about 1945 has had an Executive Secretary. The Statement of Evidence has the following summary of the evidence as to the position of Executive

Secretary of the Institute:

"18. Sometime prior to 1938 the Conveyor and Power Transmission Institute of Canada was formed. Frank H. McWethy was engaged as Executive Secretary. Mr. McWethy was employed in a similar capacity by the corresponding American association and had his office in Chicago and came to Canada only for meetings. This arrangement continued until Mr. McWethy died in December, 1944. Over the next year various officials performed the duties of secretary, E. C. Burton of Link-Belt seems to have acted during the first of the year and John Farley, also of Link-Belt, during the latter part. About November, 1945 Joseph T. Crowder was engaged as Secretary. The minutes of a meeting of the Institute held on December 11, 1945 note that this was the first meeting attended by Mr. Crowder. Mr. Crowder has continued to act as Secretary since 1945."

The Statement also contains the following summary of evidence in regard to reports of meetings of the Institute and the antecedent association:

"20. Minutes are issued after each meeting of the Institute. The documents include copies of minutes back to 1934 but most of the minutes for meetings up to about 1944 are missing. There was no full-time Secretary in 1945 but copies of reports by John Farley of Link-Belt are available. Minutes covering most of the meetings from 1945 to the date of the inquiry are among the documents.

The minutes are usually in a very abbreviated form. It appears clear that discussions which take place are either not recorded fully or, in some cases, not recorded at all. This is indicated by a comparison of the minutes with collateral material relating to meetings.

21. For at least some years during the period when F. H. McWethy was Secretary, the official minutes were supplemented from time to time by reports by E. C. Burton [Link-Belt]."

2. Preparation and Circulation of Common Pricing Material

Activities connected with the preparation and circulation of common pricing material are indicated in the documents relating to the Institute and the precedent association throughout the periods to which the evidence in the inquiry pertains. It is not alleged in the

Statement of Evidence that the common pricing material embraced all products dealt in by members of the Institute within the field of conveyor and power transmission machinery and the Statement explicitly states that there has always been a large field where pricing is an entirely individual matter for the separate companies ⁽¹⁾. Nevertheless the range covered by the common pricing material has been wide and the products and charges embraced have been dealt with in a closely detailed and itemized way. The pricing material has included such things as bearings, chain, collars, couplings, hangers, gears, idlers, pulleys, buckets, sheaves, etc. and has also dealt with charges for engineering and erection and for processing operations such as galvanizing and machining. Terms of sale, nature of guarantee which may be given and other matters relating to dealings with customers have also been included in the common pricing material.

A major distinction has been made in the common pricing material between what are referred to as sales of "merchandise" and the sale of a "complete unit". In the recent period the definitions of the two classes of sales have been contained in a series of instructions entitled "Complete Unit General Notes". The first two paragraphs of these instructions, marked "Effective May 18th, '49", read as follows:

- "1. The instructions herewith refer to 'Complete Unit' jobs and not to 'Merchandise' jobs. Many of the provisions of 'Merchandise' sales are the same as those herein. The principal difference is that no price reductions are permitted in connection with 'Merchandise' sales; under certain conditions we permit adjustments on sale of 'Complete Units'. See 'Price Adjustments', Paragraphs 13 and 14.
2. 'Complete Units' are defined as an 'elevator or conveyor or any unit used for materials handling'. A job must be classed as a 'Complete Unit' without consideration as to the completeness of customer's drawings or specifications.

To be a 'Complete Unit' it must consist of at least a complete head shaft and a complete foot shaft, and may or may not include the driving equipment and/or supporting structure. Screw Conveyors are classed as complete units whether complete with trough or not, or if drawings have to be made to fit the unit into customer's plant or to permit ordering special equipment. If the material consists only of a standard or special length of screw with or without

(1) Some members of the Institute also manufacture or market lines of machinery and equipment not related to this field and the pricing of such products is not embraced in this inquiry.

drive and tail shafts, the items should be priced without the addition of an engineering charge.

NOTE: A job can ONLY be classes as 'Merchandise' if it CAN NOT be classified as a 'Complete Unit' as defined above."

(UCM-1-1-2, Serial 4124)

The instructions give some examples of the distinction between merchandise and complete unit sales, one of which is as follows:

- "4. Drives of any kind, forming part of a 'Complete Unit' as described in paragraph 2, must be treated as a part of such unit and priced according to the 'Complete Unit' Pricing Schedule. Drives sold as individual drives are 'Merchandise'."

(UCM-1-1-3, Serial 4125)

The following general directions for pricing are contained in paragraphs 8, 9 and 10:

- "8. You are not permitted to vary from our schedules except that you may ask higher prices if you feel that the schedules, in respect to a certain job, are too low. Also, if you know that the amount of engineering and/or erection required for a given job is too low as included in your estimate, and that the specifications are not highly attractive to our shop, you may want to increase the engineering and/or erection charge and the total price. Our schedules cover minimum figures only.
9. Consult with head office estimating department for prices on items in your specifications not covered by regular lists and discounts.
10. Do not quote itemized prices on a 'Complete Unit'. You may quote separate prices on one or more 'Complete Units', but should not furnish detailed figures for items making up a 'Complete Unit'. If a customer asks, verbally, for certain figures on items, after your quotation has been submitted, give them to him, but don't give him sufficient information, at any time, to permit him to 'shop' for certain items on which he may think we are high. We are trying to sell him a complete job."

(UCM-1-1-3, 1-1-4, Serials 4125-26)

Paragraph 15 and following paragraphs give more detailed instructions for pricing complete unit jobs. The introductory part of paragraph 15 reads as follows:

- "15. (a) Estimates for 'Complete Units' are to be priced from the list prices and discount sheets following. An engineering charge is to be added to the total of the items involved, see Paragraph 17."

(UCM-1-1-9, Serial 4131)

It will be noted from the foregoing excerpts from the instructions for pricing complete unit jobs that a major distinction between the computation of the price for a sale as "merchandise" and a sale as a complete unit is that in the latter case engineering charges are included in arriving at the total price. In one sense, engineering is a general term used in reference to the work of designing an installation or system for a particular undertaking and embraces the nature of the engineering calculations and technical "know how" that may be required. In the General Notes for pricing complete unit jobs the term engineering charge refers to a scale of charges based on the value of the sale and not related directly to the actual amount of engineering work involved in a particular job. It will be noted from paragraph 2, quoted above, that "a job must be classed as a 'Complete Unit' without considerations as to the completeness of customer's drawings or specifications."

The evidence indicates that the preparation of pricing material during the period preceding the formation of the Institute and during the existence of the Institute has been done almost exclusively by Link-Belt. According to the evidence of John Farley, who became President of Link-Belt in 1946, his predecessor in that office, E. C. Burton, had during the 1930's endeavoured to get others in the industry to follow the same prices. Mr. Farley's evidence was as follows:

- "Q. Now, when Mr. Burton who was the president of the company during the '30s -- what was his policy as far as price was concerned?
- A. His policy was to try and get and I think he did make a very complete attempt to get other people with the understanding there was only so much work available and there was no use in us indulging in any price war."

(Evidence, p. 782)

In regard to the policy of Link-Belt since 1946, Mr. Farley testified:

"Q. What was your policy from then on in relation -- what difference was there between your policy and Mr. Burton's before that?

A. For one thing I wasn't interested in doing some of the things that had been done in the '30s of trying to get people to follow or at least hope to follow some of their prices. As far as I was concerned after that we were going to set our own prices completely. And we have done that ever since. Mr. MacLeod asked this morning about these LP sheets and PB sheets. Well, there are a lot of things still that we must import, items that because of quantity it is not economical to make in Canada. Our parent company has a very complete price book and what we usually do is take their prices and find out what our costs are in relation to them or what they are likely to be and set our own list prices from which we take a discount. As far as we are concerned, we simply pass those over to Mr. Crowder and all we would hope for was that if any competitor saw fit to use them, and we hoped he would, that probably it would be best for the industry as a whole.

Q. Was there any understanding or agreement amongst your competitors and your company that they would use those?

A. Never.

Q. As far as you were concerned, they were free to do --

A. They were free to do whatever they pleased as far as those prices were concerned.

Q. Although you hoped that they would follow them?

A. Hoped very much they would.

Q. Because you didn't want to have a price war?

A. That's right."

(Evidence, pp. 783-84)

The evidence does not make clear the manner in which the common pricing material was distributed before the war but there is some indication that it may have been circulated by Link-Belt. By the time Mr. Crowder became Secretary of the Institute toward the end of 1945 the practice of issuing the material through the Institute office had been established. Until about 1948 sheets containing the pricing information were issued by the Institute office on plain paper. Then

the practice was adopted of each member supplying the Secretary with a "cut" of the company's trade mark. Thereafter each member was supplied by the Secretary with the pricing material bearing the respective company's trade mark on the lower right-hand corner of the sheet.

In his evidence Mr. Crowder stated that about January, 1953, he decided the pricing material should no longer be reproduced in his office and the necessary arrangements were made to have the reproduction done by a commercial printer (Evidence, p. 1234).

The pricing material prepared and issued in the manner described above is of such a detailed and complex character that it is not possible to present in any summary way a comprehensive picture of the wide range of prices and pricing procedures which are embraced. It is evident that with respect to the products and processes covered and the application of pricing procedures to particular types of sales great effort has been made to establish a common basis of pricing applicable in all circumstances.

System of Pricing - A significant feature of the common pricing material has been the use of "List Prices". Whatever may have been the origin of the list prices (the evidence does not make this clear) they appear, in the case of many products, to have been divorced from actual market prices for a considerable time. They have thus become nominal prices from which deductions are taken or to which additions are made in arriving at the current market prices. Because it was likely the case in an earlier period that the process of arriving at a market price was normally by subtraction at a given percentage rate from a list price, the term "discount" is used to describe the actual basis of pricing but this term is now applied whether the calculation involves subtraction or addition. For this reason there are what might be termed "plus" discounts. The following comment on the use of list prices is made in the Statement of Evidence:

"List prices are not the prices to any class of the trade - even consumers. They are lists of prices to which discounts must be applied to arrive at the price to be charged any purchaser. One reason at least for this is the range of sizes in which particular items are available. As an example, one sheet (Serial 11243) giving list prices of 'WELDED STEEL PULLEYS WITH CAST IRON HUBS PULLEY FACES NOT MACHINED' shows one hundred and fifty-six different sizes, all priced separately, as well as seven different charges covering certain extras of alterations, etc. The prices set out bear a definite relationship to each other and, it may be assumed, preparing or revising such a sheet would involve considerable work. Hence, the practice apparently developed of letting the list stand as long as possible and effecting changes by adjusting discounts."

In the calculation of current prices from list prices, discounts are employed in two ways. In the first place, the list prices are reduced or increased by a given percentage to establish an actual price base and then, from this new base, actual reductions by way of discount may be made depending upon the class of customer. The use of discounts in this way is discussed in a later portion of this chapter.

Although, as already pointed out, it is not feasible to attempt to describe in a detailed way the nature of the pricing material which was circulated through the office of the Institute, reference may be made to the different classes of material, particularly the form in which the various lists have been circulated in recent years.

List Price Sheets - These sheets usually bear the notation "LP" followed by a number and are headed "Standard List Prices in Canada" or "Standard List Prices in Canada as Accepted by Principal Manufacturers" or "List Prices". Sheets may be revised from time to time and this is usually indicated by a notation at the foot of the page, such as the following which appears on LP-35; "Dec. 11/50 (Replacing sheet issued 12/9/37)" (LBT-9-20-2, Serial 7802). This particular sheet was apparently again revised the following day as there are further copies bearing the notation "Dec. 12/50 (Replacing sheet issued 11/12/50)" (JEM-11-1-172, serial 2830). The revision in the latter case was in the note referring to the list prices which had stated that freight and tax were included. In the later edition the revised portion of the note reads:

"List prices above cover tripper only without chutes, gates, idlers, trailers, reducer brushes, motors or electrical equipment. Chutes, gates, idlers, trailers, brushes, motors and electrical equipment are to be added on the basis of the 'Complete Unit' schedule."

In addition to setting out what might be termed "general" list prices, the LP sheets, in some instances, make reference to prices shown in catalogues of individual companies or give the prices by company, an example of the former is LP-2 "Chain Coupling Pins List Prices", the first part of which is as follows:

"The lists in the catalogs shown have been 'trial' checked and are correct. Some are more complete in listings than others. In case of those marked (x), either entire list is obsolete or there are variations from standard lists in catalogues named.

	Detach Ewart		Hercules				
	Pl. or Atts.	Special Pintle	400 Class	H-Class Pintle	H-Class Refuse	500 & H Cl. Trans.	or C Class
Dodge	#B-16	#B-16	#B-16	#B-16	#B-16	#B-16	#B-16
Fittgs.	26 (X)	26 (X)	26 (X)	26 (X)	26 (X)	26 (X)	26 (X)
Jeff.	87	87	87	87	87	87	87
L-B	800	800	800	800	800	800	800
Pless.							
S. A.	55			55	55	55	55
W. I.	48 (X)	48 (X)		48 (X)	48 (X)	48 (X)	48 (X)

. . .

December 1st, 1948

Replaces Sheet Issued October 15th, 1938"

(UCM-1-1-110, Serial 4232)

The abbreviation, "Fittgs" in the above schedule probably refers to Fittings Limited, a firm which, among other things, manufactures certain types of chain and which, according to the evidence, it does not distribute directly but supplies to conveyor and transmission manufacturers who do not produce chain themselves. "W. I." probably refers to Webster-Inglis, the former name of Webster-Smallwood.

An example of the second type of listing, that is, the price by individual company is sheet LP-33, the first part of which is as follows:

"LIST PRICES
HAND PROPELLED TRIPPERS

Maker	Style	Belt Width	Pulley Diam	Frame	Weight	List Price
Dodge	B	18	12	C.I.	1208	\$1,779.00
(United Steel)	B	24	12	C.I.	1368	1,890.00
Jeffrey	224A	16	16	Steel	1350	2,019.00
	214A	16	16	Steel	1650	2,154.00
	224A	18	16	Steel	1400	2,063.00
	214A	18	16	Steel	1700	2,195.00
	224A	24	20	Steel	2450	2,574.00
	214A	24	20	Steel	2700	2,664.00
	224A	30	20	Steel	2750	3,110.00
	214A	30	20	Steel	3000	3,200.00

Link-Belt	16	18	Steel	1674	2,288.00
	18	18	Steel	1729	2,303.00
	20	20	Steel	2268	2,537.00
	24	20	Steel	2380	2,580.00
Plessisville	24	12	Steel	1750	2,034.00
	24	14	Steel	2815	2,520.00
Stephens- Adamson	16	12	C.I.	1100	1,692.00
	18	12	C.I.	1150	1,760.00
	20	12	C.I.	1200	1,820.00
	24	12	C.I.	1275	1,854.00

Note - List prices above are based on Plain Bearings. For Anti-Friction Bearings add \$277.00 to list price of Tripper. Subject to Disct.

List Prices above cover Trippers only without Chutes, Gates, Idlers, Trailers and Brushes.

List Prices above cover only the Trippers specifically described. Sizes and types not covered above MUST NOT be quoted without reference to Head Office.

See Page PB-51 for Discounts.

...

Dec. 11/50 (Replacing sheet issued 11/15/37)"

(SAM-1-1-210, Serial 3816)

The amount of detailed pricing instructions varies greatly among the different products embraced by the LP sheets. Generally there is reference to applicable discounts and to extra charges which may be applied. Some sheets, for example LP-2M, "Chain, Barking Drum", contain detailed directions as to terms and delivery conditions:

"BARKING DRUM CHAIN - NET PRICES

...

Terms and Delivery Conditions

- (a) East of Manitoba, Saskatchewan border - Prices indicated for this area are delivered at Pine Falls, Manitoba, or to any pulp and paper mill east of there, sales tax extra if applicable. In addition, we allow 7 cents per 100 lbs. to cover cartage at destination. Terms net 30 days without discount for prepayment.

- (b) British Columbia - Prices indicated for this area are delivered to any pulp and paper mill in B.C. with sales tax extra if applicable; no allowance is made to cover cartage at destination. Terms 2% - 10th proximo.
- (c) Delivered prices per (a) and (b) above are based on orders of 101 lbs. or more. If 100 lbs. or less is specified on an order prices are f.o.b. factory without freight allowance.

January 2, 1952 (Replacing sheet LP-2M issued 4/20/51)"

(LBT-10-1-146, Serial 7959)

In some cases quantity terms are indicated on the LP sheets. LP-39, for example, gives list prices for "Salem Elevator Buckets" and has the following footnote "On one order of 200 or more Salem Buckets of the same size and gauge, deduct 10%" (LBT-10-1-222, Serial 8035). LP-40 with prices for "Continuous Steel Elevator Buckets" has the following note: "A set up charge of \$30.00 list must be added to each size of bucket ordered, regardless of quantity" (FOP-27-1-5, Serial 939).

In some instances it appears that LP sheets, for example LP-37 and LP-37A to V inclusive, were issued to replace lists in company catalogues which were then regarded as obsolete (FOP-13-1-169, Serial 618).

Price Book - Several series of sheets contain instructions for calculating prices for various classes of products and buyers. These sheets are numbered with the designation "PB" which appears to be an abbreviation of Price Book. A considerable part of the PB sheets consists of schedules of discounts to be applied to the list prices in the LP sheets or in designated catalogues. Other parts, however, give general pricing instructions and some PB sheets contain list prices instead of the usual course of having these on LP sheets. The PB sheets also contain a schedule of erection charges which has been revised from time to time.

General instructions on the use of the pricing material on PB sheets are given on PB-1, a copy of which, dated August 15, 1950, reads as follows:

"PRICE BOOK

Complete Unit
PB-1

List Prices:	For items such as chain, idlers, pulleys, bearings, sprockets, etc., consult LP sheets for instructions or list prices.
Steel, pound prices:	For pound prices on steel, consult item 4. Pound prices apply to net shipping weights.

Elevator Casings:	List prices on <u>Complete Casings</u> (per WME 1-8) are to be followed on all bucket sizes listed on these sheets. The pound price lists are only to be used for elevators with larger buckets. No greater discount must be allowed even if customer's steel drawings are complete in all particulars.
Discounts:	Use 'Complete Unit' discount sheet herewith. Although the discounts on most corresponding items are the same on both 'Complete Unit' and 'Merchandise' discount sheets, the 'Complete Unit' discount sheet covers a number of items not covered by the 'Merchandise' sheets. On certain items, such as keyseating, etc., a different method of pricing applies. Always use the 'Complete Unit' price sheets.
<u>Consumers</u> - All orders and inquiries from consumers, except 'AB' customers, per PB-104-5 and special consumers, per PB-16-b, should be priced on #1 basis, and add Engineering charges per sheets 9 to 11.	
All orders and inquiries from customers on 'AB' list per PB-104-5, and special consumers per PB-16-b- price according to customer's individual discount rating as indicated, and add Engineering charges per sheets 9 to 11.	
<u>Resale</u> - All orders and inquiries from #2 unlisted dealers, also from #3 listed jobbers, per PB-100-2 and 'C', machinery manufacturers, per PB-106-7- price according to instructions on sheets PB-16 and PB-16a, and allow commissions as indicated	
Delivery:	All prices are net f.o.b. factory with freight allowed to any rail destination in Ontario or the east and also certain boat points per 'Delivered Prices'. See sheets under the latter heading for details.
Sales Tax:	All prices are 'Federal and/or Local Sales Taxes Extra'.
Engineering Charges:	Add "Engineering charges" as set forth on sheets 9 to 11 inclusive.
Western Prices:	This schedule does not apply to Manitoba, Saskatchewan, Alberta or British Columbia. (See 'Prairie Data Schedule').

Aug. 15th, 1950 (Replacing sheet PB-1 dated 5/22/46)"

(SAM-1-1-40, Serial 3644)

The sheets immediately following deal, in the main, with groups of products and give applicable pricing instructions for each group. In some cases, list prices are set out for particular products. PB-3 (LBT-10-1-36, Serial 7851) contains instructions for pricing "Purchased items not otherwise specified in this schedule. . . ." The instructions for pricing such items read as follows:

"Include at Manufacturers freight allowed consumers price if known. If manufacturers price does not include duty, exchange and freight, add them to his consumers price.

If manufacturers consumer price is not known, add 20% to cost, such cost to include duty and exchange, if imported. Then add freight to destination from shipping point.

This method of figuring items is not to be followed if the other schedules herewith cover the purchased item. For example, a friction clutch or a base plate, even if purchased, should be priced according to schedules covering these items and not according to the purchase price."

(LBT-10-1-36, Serial 7851)

Sheet PB-17 contains a schedule of discounts applying to the products or groups of products covered on the preceding sheets. The revisions in this sheet illustrate one method by which prices are changed by changing the rate of discount. Under the conditions prevailing in recent years the general trend has been to increase prices. Copies of sheet PB-17 among the exhibits in the inquiry show revisions in rates of discount between August 18, 1941 and December 18, 1950. The following table shows the information on PB-17 as of December 18, 1950, together with the rates of discount shown on earlier sheets.

P R I C E B O O K

Complete Unit
PB-17

Discounts applicable to all classes of customers (except that resale discounts apply as set forth on sheets PB-16 and PB-16a) on list prices given on Pages PB-3 to PB-13 inclusive. Resulting net prices include delivery and are sales tax extra per sheets PB-1, 80 and 81.

Page	Item	Description	Discount			
			(Dec.18/50)	(Dec.11/50)	(Mar.14/47)	(Aug.18/41)
PB-3&4	4a	Bunkers, columns and track hopper girders up to 20,000#				
		List 17¢ per lb.	Plus 100	Plus 70)	Cost plus	Cost plus
		20,001 to 50,000#)	15% *	15% *

Page	Item	Description	Discount			
			(Dec.18/50)	(Dec.11/50)	(Mar.14/47)	(Aug.18/41)
PB-3	4a	(cont'd.)				
& 4		List 16¢ per lb.	Plus 100	Plus 70)	Cost plus	Cost plus
		50,001# and over)	15% *	15% *
		List 15¢ per lb.	Plus 100	Plus 70)		
PB-4	4b	Track and other hoppers, gratings and hopper supports	Plus 100	Plus 70	Plus 30%	Net
PB-5	4c	Lighter Hoppers, Chutes, etc.	Plus 125	Plus 95	Plus 30%	Net
PB-5	4d	Belt and other types of conveyor supports, stringers, decking, shuttles, head and tail frames	Plus 115	Plus 85	Plus 20%	-10
& 6						
PB-6	4e	Conveyor Troughing	Plus 115	Plus 85	Plus 20%	-10
& 7						
PB-7	4f	Chain tracks and wearing strips	Plus 115	Plus 85	Plus 20%	-10
& 8						
PB-8	4g	Towers, etc.	Plus 100	Plus 70	Plus 30%	Net
PB-8 & 9	4h	Ladders, Handrails, Stairs, etc.	Plus 135	Plus 105	Plus 30%	Net
PB-9		Miscellaneous, Apron				
& 10	4j	feeder frames, beams except as in 4b, Bents, Gear Guards, Shaker Screens, Weigh Larries and Larry Trucks	Plus 120	Plus 90	Plus 20%	-10
PB-10	4k	Elevator Casings, smaller than 10"x 5"	Plus 150)	Plus 80	Plus 15%	-15
		10 x 5 and larger	Plus 105)	**	**	**
PB-11	5b	Buckets smaller than those listed	Plus 155	Plus 120	Plus 65%	+25

(*) Prior to 1950 no list prices are shown and there is no classification by weight

(**) Prior to December 18, 1950 there is only one class shown.

Page	Item	Description	Discount			
			(Dec.18/50)	(Dec.11/50)	(Mar.14/47)	(Aug.18/41)
PB-11	5c	Buckets, Gravity Dis-charge (V Bucket)	Plus 155	Plus 120	Plus 65%	+25
PB-11	6	Apron Pans and steel scrapper conveyor flights	Plus 165	Plus 130	Plus 75%	+30
PB-11	7	Base plates, cast iron or welded steel	Plus 150	Plus 120	Plus 65%	+25
PB-12	9	Friction Clutches	Plus 140	Plus 110	Plus 55%	+40
PB-12	10a	Gates, duplex	Plus 150	Plus 120	Plus 65%	+25
PB-13	10b	Gates, single under-cut	Plus 150	Plus 120	Plus 65%	+25
PB-13	12	Keyseating of Shafting	Plus 90	Plus 65	Plus 25%	+25

See Sheets 9 to 11 for "Engineering Charge"

(Based on UCM-1-1-35, Serial 4157,
SAM-5-41-2, Serial 3364,
DMD-12-1-84, Serial 10745,
TSA-2-1-13, Serial 9533)

There appear to have been no PB sheets numbered from 18 to 38 inclusive. Sheets PB 39 to 52 deal, in the main, with individual products and give the discounts which are to be applied to list prices. For example, reference has been made in the discussion of LP sheets to LP-33 which deals, in part, with hand propelled trippers. The instructions on that sheet were to "See Page PB-51 for discounts". Sheet PB-51, as revised on November 5, 1951, is as follows:

"P R I C E B O O K"

Complete Unit
PB-51

DISCOUNTS

TRIPPERS	<u>#1</u>	<u>#2</u>	<u>#3</u>	<u>#4</u>
Hand-propelled (per LP-33)	-28	-28-5	-28-10	-28-10
Self-propelled (per LP-33-34)	-28	-28-5	-28-10	-28-10
Self-reversing (add 10% to list prices on LP-33-34 and apply discounts)	-28	-28-5	-28-10	-28-10

<u>Trippers (cont'd.)</u>	<u>#1</u>	<u>#2</u>	<u>#3</u>	<u>#4</u>
Motor-propelled (per LP-35)	-28	-28-5	-28-10	-28-10

The list prices for all trippers are based on babbitted bearings and extra list prices for anti-friction bearings are given on LP-33-34-35. The above discounts apply to the extra for anti-friction bearings.

The list prices for all trippers do not include chutes, gates, idlers, trailers, scrapers, cleaning brushes, motors or electrical equipment. All of these items are to be added on the basis of the 'Complete Unit' schedule.

WEIGH LARRIES

Hand-operated and motor-propelled (List Prices on LP-36)	+60	+60-5	+60-10	+60-10
---	-----	-------	--------	--------

Weigh Larries must not be sold as merchandise. Add engineering charge as outlined on sheet 11 of Complete Unit General Notes, whether it is figured alone or in conjunction with other equipment.

SEE SHEETS 9-11 FOR ENGINEERING CHARGES

'AB' Discount is same as #1 discount.

'C' Discount is #1 Discount less 10%.

Nov. 5/51 (Replacing sheet PB-51 issued Dec. 14/50)"

(JEM-11-1-61, Serial 2716)

It will be recalled that the list prices shown on sheet LP-33 for hand propelled trippers were for products of individual companies separately specified and that there were variations in the descriptions and prices of the various models. The rates of discount shown on PB-51 are uniform for the various classes of products listed. It will be noted that the discounts are shown in four columns. These relate to classification of customers which is also covered by PB sheets and which will be discussed below.

Another series of pricing material sheets are designated WME and deal with list prices for elevators. They are referred to in PB sheets and apparently formed a related series. Other sheets were circulated with price information relating to British Columbia. These are designated "V" for Vancouver. Another series of sheets relates to the Prairie Provinces. The latter will be discussed in a later chapter.

Erection Charges - Two sheets, PB-14 and 14A contain schedules for erection charges when a customer asks for the material purchased to be erected by the supplier. The instructions on these sheets provide for two methods of quoting erection charges. Under the first method a per diem rate is quoted for the services of an erection superintendent, plus travelling and living expenses for jobs other than in Toronto and Montreal. If the erection superintendent also undertakes the hiring of workmen, the customer is to be charged the wages of such workmen plus 10%. The latest revision of PB-14 among the exhibits, appears to be one dated December 1, 1948, and gives the rate for an erection superintendent at \$35.00 per day of 8 hours. The following note has appeared on PB-14:

"NOTE - DO NOT quote a lump sum on the services of an erection superintendent EXCEPT after consultation. This method (quoting a lump sum on erection superintendent's [sic] time) is not desirable. Always sell such services whenever possible on the per diem charge above. The lump sum method is NOT to be offered to customer and is to be given him only on his special request and only after consultation."

(SAM-1-1-58, Serial 3662)

Sheet 14A gives instructions for erection charges when the customer asks for a lump sum price including erection. A revision of PB-14A, dated December 11, 1950, reads as follows:

"P R I C E B O O K

PB-14A
ERECTION CHARGES

ITEM

13 Erection Charges:-

Cont'd.

If customer, after receiving per diem quotation as above, demands a lump sum price including erection, quote in accordance with (2) below:-

(2) For complete erection add to the delivered selling price as follows:-

UP to ---- 1,999 lbs. - on basis of \$35.00 per day only.

2,000 to 2,500 lbs.	\$320.00	per ton of 2,000 lbs.					
2,501 to 3,000 lbs.	310.00	"	"	"	"	"	"
3,001 to 3,500 lbs.	300.00	"	"	"	"	"	"
3,501 to 4,000 lbs.	290.00	"	"	"	"	"	"
4,001 to 5,000 lbs.	280.00	"	"	"	"	"	"
5,001 to 6,000 lbs.	270.00	"	"	"	"	"	"
6,001 to 7,000 lbs.	260.00	"	"	"	"	"	"
7,001 to 8,000 lbs.	250.00	"	"	"	"	"	"
8,001 to 9,000 lbs.	240.00	"	"	"	"	"	"
9,001 to 10,000 lbs.	230.00	"	"	"	"	"	"
10,001 to 11,000 lbs.	220.00	"	"	"	"	"	"
11,001 to 12,000 lbs.	210.00	"	"	"	"	"	"
12,001 to 24,000 lbs.	205.00	"	"	"	"	"	"
24,001 and over	200.00	"	"	"	"	"	"

In figuring erection charges, use the next higher quarter ton above the figured shipping weight without packing. To illustrate the method note the following examples:-

2,550 lbs. shipping weight equals 3,000 lbs.
erection weight times \$310.00 equals \$465.00

3,105 lbs. shipping weight equals 3,500 lbs.
erection weight times \$300.00 equals \$525.00

5,250 lbs. shipping weight equals 5,500 lbs.
erection weight times \$270.00 equals \$742.50

December 11, 1950 (Replacing sheet issued Dec. 1/48)"

(UCM-1-1-30, Serial 4152)

Complete Unit General Notes - Reference has already been made to some provisions of the Complete Unit General Notes as revised in 1949. The earliest compilation of similar material included among the exhibits is contained in the minutes of a meeting on July 25-26, 1934, which, it will be recalled, was in the period of the association which preceded the formation of the Institute. The companies listed as represented at this meeting were Bond Engineering Works Ltd., Dodge Mfg. Co., Jeffrey Manufacturing Co. Ltd., Link-Belt Limited, Stephens-Adamson Mfg. Co., Plessisville Foundry Ltd. and Webster-Inglis Co. Ltd. The pricing material for engineering and related matters was described in the minutes at this time as a "pricing agreement". The first part of the pricing instructions contains the following:

"Engineering:

It was concluded that the method of pricing engineering, as well as course of action after prices are submitted, be adopted.

After August 6th, 1934, engineering proposals are to be submitted on the basis of the 'Engineering Schedule' as given below.

It was considered a definite obligation on the part of each member, that he will maintain the good will of the association (in spite of mistakes or misinterpretations which may be made by others), pending fair trial and probable revisions in certain provisions of this agreement.

The pricing agreement is as follows:

PRICING OF ENGINEERING JOBS.

- (1) List and discount agreed-to items in engineering jobs.

All regular list and discount items are to be figured into engineering jobs on the basis of #1 discount, except customers shall enjoy their regular discount on merchandise.

. . ."

(LBT-1-1-8, Serial 6489)

The minutes set out a scale of engineering charges, which subject subsequently was included in Complete Unit General Notes, and also a scale of erection charges. The latter subject was embraced subsequently in PB sheets. The minutes suggested consultation among members on items which were made by a group member but not included in any list or schedule. The following reference is contained in the minutes to Elevator Casings:

"(11) Elevator Casings:

Data has been supplied to each member which shows these casings so arranged as to price that no matter what the design is, provided it is a standard elevator, the steel prices are the same. This is in spite of some variation in weight, design of head and foot sections, etc. These sheets are numbered 1 to 8 and for identification purposes carry the initials 'WME' on the lower right hand corner."

(LBT-1-1-10, Serial 6491)

It will be recalled that a series of sheets bearing the designation WME has continued to be circulated with the pricing material described above.

Another section of the minutes contained a graduated scale of maximum commissions to jobbers for assistance in making a sale which ranged from 10% on orders up to \$1,000 to 2% on orders over \$20,000. Another section reads as follows:

- "(15) It is entirely permissible to quote alternates as desired in connection with machinery specifications."

(LBT-1-1-11, Serial 6492)

The first part of the following section is as follows:

- (16) The members agree to use scheduled lists and discounts (transmission, chain, steel schedule, casings, erection, engineering, resale item, etc., etc., as well as other items as subsequently arranged for) in the preparation of engineering estimates, and earnestly endeavour to maintain this level.

The members all feel that the free exchange of information among members is highly desirable as it will permit more uniform quotations and will also secure for the successful member a satisfactory and fair price.

..."

(LBT-1-1-11, Serial 6492)

The earliest copy of Complete Unit General Notes compiled as a separate document which is contained among the exhibits is a document from the files of Link-Belt which is headed "'Complete Unit' Pricing Schedule - General Notes". The first page bears the date 1-27-41 while most of the other sheets are dated 7-3-39. As portions of this document have similar or closely parallel wording to portions of the Complete Unit General Notes as revised in 1949 note may be taken of some sections which deal with the same subjects but in which the wording was modified in the 1949 revision. Both documents have a paragraph dealing with terminal grain elevator equipment which reads as follows, in the two editions:

1941

1949

- | | |
|---|--|
| "2(a) On inquiries specifying Terminal Grain Elevator equipment, received from terminal grain elevator operating companies for bulk grain handling, | "3. On enquiries specifying Terminal Grain Elevator equipment, received from terminal grain elevator operation companies for bulk grain handling |
|---|--|

or from consulting engineering companies, and/or specifications for such operating companies, or for Marine Leg equipment, open pricing is to apply. This open pricing does not apply to country or inland elevators, nor to replacement items for any of the above. On material for such country or inland elevators or to the replacement items, regular prices are to apply."

(LBT-8-16, Serial 6893)

or from consulting engineering companies, and/or specifications for such operating companies, or for Marine Leg equipment, consult head office for pricing policy. Our regular list and discount pricing applies to country or inland elevators, and replacement items for any of the above in this paragraph."

(UCM-1-1-2, 1-1-3, Serials
4124-25)

A change appears between the two documents in a paragraph dealing with items not in the Price Book as indicated in the following extracts:

"(q) Do not fail, if 'Price Book' does not cover items which you must include in your total, to confer with other known bidders as to proper price on such 'uncover items'. Agreement between all bidders on such items should be reached and your bid should include such agreed price."

(LBT-8-16-4, Serial 6875)

"(l) If our 'Price Book' does not cover items which you must include in your total, do not fail to confer with head office as to proper price on such items."

(UCM-1-1-7, Serial 4129)

Some paragraphs, including the following, were dropped entirely in the 1949 revision of the Complete Unit General Notes:

"(l) Do not advise any customer that we will supply (or have supplied) any part of a job to our competitor.

(m) Do not divulge names of competitors who use the same list prices, discounts, etc. as we do. See paragraph 12 under 'General Notes'.

(n) Do not solicit an inquiry from a customer if you have learned of such inquiry from one of your competitors.

(o) Do not fail, in figuring an estimate in which a competitor's material is specified (such items not being covered by the 'Price

Book') to get in touch with the competitor whose material is specified, in order to ascertain correct price."

(LBT-8-16-4, Serial 6875)

The minutes of 1934 and the Complete Unit General Notes have contained, in each case, provisions respecting the extent to which the prices of a complete unit may be reduced after a quotation has been given and a lower counter-offer is made by the prospective customer. The provisions for price reductions and for engineering charges appear as follows in the later edition of the "Complete Unit" General Notes:

"PRICE ADJUSTMENTS

13. You are permitted to reduce your figured price on original or revised specifications (made up from our 'Price Book') up to 5% of the total price, provided:-

(a) You do not offer any reduction or intimate that you are open to an offer, and

(b) The customer offers you the job at a price not more than 5% below your quoted price, on either original or revised specifications

or

(c) If offer in (b) exceeds 5% you may accept the order with up to 5% reduction, provided

(d) That you obtain the order during the conversation in which the offer was made in (b) or (c).

14. The provisions of all paragraphs in this section apply only to 'Complete Units' and, under no circumstances, to 'Merchandise'. See section 'General Notes', which distinguish between the two classes of jobs.

15. (a) Estimates for 'Complete Units' are to be priced from the list prices and discount sheets following. An engineering charge is to be added to the total of the items involved, see Paragraph 17.

(b) For the purpose of the following paragraphs the term 'figured' price is used to indicate the price on which 'Engineering Charge' is to be added. This price is the total of all items of machinery steel, etc. The only items omitted from total are those specifically enumerated under

paragraph 16.

ENGINEERING CHARGES

16. The paragraphs following will serve as a guide to the procedure of applying 'Engineering Charges' to 'Complete Unit' jobs. While the list of types of 'Complete Units' is not intended to be complete, it does indicate all the types which may contain items on which 'Engineering Charges' do not apply. Other than the items stated with a class of 'Complete Unit' and the exclusions noted at the bottom of the list, apply the 'Engineering Charge' to all items included in any specification.

Apron Conveyors.

Barrel, Keg, Cask and Tray Elevators.

Belt Conveyors.

NOTE: Do not include idlers or belt when computing engineering charges.

Bucket Elevators.

NOTE: Include all items including belt for belt elevators.

Bunkers, Bins and Hoppers.

Car Hauls.

Chain Conveyors.

NOTE: To pulp and paper mills only, do not include chain for chain Conveyors. For all other customers, include the chain in computing the 'Engineering Charge'.

Chutes.

Crushers.

Drag Conveyors -- See note under chain conveyors above.

Feeders -- belt; screw; vibrating, including both electrical and mechanical; reciprocating and apron.

NOTE: Include belt when computing engineering charges for Belt Feeders.

Flight Conveyors -- See note under chain Conveyors above.

Gates and Valves.

Gravity Discharge (GD) Elevator - Conveyors.

Mold Conveyors - gravity or power driven.

Pivoted Bucket - Elevator - Conveyors.

Repulpers.

Sand Aerators.

Scraper Conveyors -- See note under chain Conveyors above.

Screens - revolving; vibrating; shakeout; reciprocating and shaking.

Screw Conveyors and Accessories -- See notes in Paragraph 2.

Shuttle Belt Conveyors.

NOTE: Include belt when computing engineering charges for Shuttle Conveyors.

Skip Hoists.

Slat Conveyors -- See note under chain Conveyors above.

Trolley Conveyors.

Weight Larries.

17. On all 'Complete Units', the 'Engineering Charge' is to be computed as follows:

If the net 'figured' (See Paragraph 15(b)) price comprising the total of all list and discount items, steel, motors, drives, etc., except erection charge, is:-

<u>BETWEEN</u>	<u>PROCEDURE</u>
\$ 0.00 and \$ 500.00	Add 35% to 'figured' price
\$ 500.01 and \$1,000.00	Add \$165.00 plus 20% on amount by which 'figured' price exceeds \$500.00
\$1,000.01 and \$2,000.00	Add \$265.00 plus 15% on amount by which 'figured' price exceeds \$1,000.00
\$2,000.01 and over	Add \$415.00 plus 12-1/2% on amount by which 'figured' price exceeds \$2,000.00

... ."

(UCM-1-1-9, 1-1-10, 1-1-11, 1-1-12, Serials 4131-32-33-34)

The scale of charges shown above appears on sheet #11 which has a footnote "Dec. 11/50 (Replacing sheets #11, 12 & 13 of complete unit 'General Notes' dated 5/18/49)." The sheets which were replaced had apparently contained three scales of engineering charges depending upon the types of equipment and the revision set up a single scale.

Classification of Customers - Reference has already been made to the fact that the system of pricing embodied in the material distributed through the office of the Institute provided for certain discount categories depending upon the classification of the customer. In some of the examples given earlier of the pricing of certain products

some of the discount categories have been indicated. Mr. W. T. E. Smith of United Steel was questioned about discount categories and the following is included in his evidence:

"A. 1 is a consumer of the merchandise; 2 is a non-stocking re-seller; 3 is a stocking re-seller; 4 is to members of the Institute; AB is to the Pulp and Paper Companies; and C is to machinery manufacturers who purchase for incorporation.

Q. Does your company maintain lists of persons entitled to the various discounts?

A. Yes, there are lists available.

Q. Does the Institute from time to time issue PB sheets listing persons or firms available for various discounts?

A. Yes.

Q. Who prepares those PB sheets?

A. Oh, I suppose they are printed at the Institute.

Q. Where does the Institute get its information from in order to prepare sheets for the use by your company?

A. We might decide a fellow is going to put in a stock of our products at a given place, and we would simply tell the Institute that this fellow -- that he was setting up as a distributor.

Q. And would it be normal, then, for that man's name to be added to that list under that particular category?

A. It was usually added, although there were occasions when it was not.

Q. And I suppose, similarly, there were occasions when names were removed?

A. I think names have been removed. A fellow might go out of business, and would not ---

Q. Yes. Would the PB sheets show a complete list of firms in Canada, say, entitled to the particular discounts?

A. No."

The index to discount classifications had apparently been given for some time on sheet PB40 but a sheet, PB16-b, dated August 15, 1950, contained in Exhibit M43, bears the following footnote "(Replacing PB40 issued 5/22/46)". The sheet of August 15, 1950, included an escalator clause to be incorporated in quotations and in a re-issue of sheet PB 16-b on October 9, 1950, the escalator clause was dropped and the following note appears "Refer to sheet PBO-A dated 9/21/50 for new escalator clause". Sheet PB16-b as revised on October 9, 1950, reads as follows:

PRICE BOOK

Complete Unit
PB16-b

Discounts

Index to Discount Classifications

- No. 1 Consumers except special list below.
No. 2 Special consumers (see list below).
No. 2 Unlisted dealers - see paragraph #17(a), page PB-16.
(see note below)
No. 3 Listed jobbers (PB-100-2) - see paragraph 17(b), pages
PB-16(a) (see note below)
AB Pulp and paper mills, some sawmills - see list AB
(PB-104 and 105)
C Machinery manufacturers, per list C (PB-106 and 107)
(see note below).

Note: Paragraph #17(a), (b) and (c), sheets PB-16 and 16(a) apply to all resale customers whether #2 unlisted dealers, #3 listed jobbers or 'C' machinery manufacturers. Refer to those paragraphs when quoting prices for resale.

Special Consumers

The following consumers may receive discounts as indicated after their name.

	<u>Discount</u>
Canada Cement Co. Ltd.	2-S
Canners Machinery Co.	2-#
Canadian General Electric Co. Ltd.	1-P
Canadian Westinghouse Co. Ltd.	1-P
International Nickel Co. of Canada Ltd.	2-S
St. Mary's Cement Co. Ltd.	1-X

- # - Including steel split pulleys
P - C prices on pulleys only
S - #1 on steel split pulleys balance #2.
X - #2 on heavy sectional or helicoid only, balance
as indicated.

(Refer to sheet PBO-A dated 9/21/50 for new escalator clause).

Oct. 9th 1950. (Replacing PB16b issued 8/15/50.)"

(UCM-1-1-34, Serial 4156)

It will be noted from the classification set out in PB16-b that category No. 2 includes a list of special consumers in addition to dealers. In his evidence Mr. Smith referred to a dealer in this class as a "non-stocking re-seller" whereas the description in the index is "unlisted dealers". This would appear to imply that the discount was applicable to dealers not specified in any list. Whether Mr. Smith intended to indicate more than this in stating that the PB sheets would not show a complete list of firms receiving discounts is not clear from his evidence.

The index to discount classifications contained in sheet PB16-b has cross-references to certain other PB sheets. One reference is to paragraphs 17(a), (b), (c) on sheets PB-16 and 16(a). These paragraphs read as follows on sheets dated December 11, 1950 and August 15, 1950, respectively:

". . .

17(a) Resale prices to #2 unlisted dealers:

Note: (1) These rates of commission are to be used exclusively for quoting #2 resale customers (see notes on sheet PB-16b. The #2 discounts set forth on the discount sheets covering 'Complete Units' are only to be used for 'special consumers'.

(2) When #2 resale customer buys a 'Complete Unit' job in his own name and resells to his customer, you may allow the commissions set forth below as a discount. Such #2 customer must be told what the #1 consumer price is to be.

(3) The commissions below only apply when #2 resale customer is selling to a #1 consumer. If the concern to whom #2 resale customer intends to sell enjoys #2, AB or C discounts or a combination of them you should explain that such business is handled direct by us and that no resale discount can be allowed.

Give #2 dealer the price to #1 consumer. Allow them the following rates of commission on net price with freight deducted:

When price of job (less freight) is between:

\$.00 and \$1,000.00	allow 8%
\$1,000.01 and \$2,000.00	allow \$80.00, plus 6% on amount by which price exceeds \$1,000.00
\$2,000.01 and \$3,000.00	allow \$140.00, plus 5% on amount by which price exceeds \$2,000.00
\$3,000.01 and \$5,000.00	allow \$190.00, plus 4% on amount by which price exceeds \$3,000.00
\$5,000.01 and more	allow \$270.00 plus 3% on amount by which price exceeds \$5,000.00

. . ."

(SAM-1-1-61, Serial 3665)

" . . .

17. Resale prices to #3 listed jobbers (see sheets PB 100-2 for names):

Note (1). When #3 jobber buys a 'Complete Unit' job in his own name and resells to his customer, you may allow the commission set forth below as a discount. Such #3 jobber must be told what the #1 consumer's price is to be.

Note (2). The commissions below only apply when #3 jobber is selling to a #1 consumer. If the concern to whom #3 jobber intends to sell enjoys #2, AB or C discounts or a combination of them, you should explain that such business is handled direct by us and that no resale discount can be allowed.

Give #3 jobber the price to #1 consumer. Allow #3 jobber the following rates of commission on net price with freight deducted.

When price of job (less freight) is between:

\$0.00 and \$1,000.00	allow 10%
\$1,000.01 and \$2,000.00	allow \$100.00 plus 8% on amount by which price ex- ceeds \$1,000.00
\$2,000.01 and \$3,000.00	allow \$180.00 plus 7% on amount by which price ex- ceeds \$2,000.00

\$3,000.01 and \$5,000.00	allow \$250.00 plus 6% on amount by which price exceeds \$3,000.00
\$5,000.01 and over	allow \$370.00 plus 5% on amount by which price exceeds \$5,000.00

17. Resale Prices to 'C' machinery manufacturers (see sheets PB-106 and 107 for list of names)
(c)

Prices on complete unit jobs for 'C' machinery manufacturers are to be figured at the consumer discount, plus engineering charges, and apply the 'C' discount of 10% to the complete job. This also includes the list of special consumers on PB-16-b but does not include 'AB' customers on which 'C' machinery manufacturers do not get protection. As usual, the 'C' machinery manufacturers should be told the price to the consumer as well as his cost.

. . . "

(SAM-1-1-62, Serial 3666)

Another cross-reference on sheet PB16-b is to lists contained in sheets PB100-107. Sheets PB100-102 contain list of jobbers in two groups. The first list on sheets PB 100 and 101 is entitled "List of Jobbers on #3 List". The latest copies included among the exhibits are dated February 3, 1953 in the case of PB 100 and November 3, 1950 in the case of PB101. The following note appears under the heading on PB100:

"Note: Those names marked with 'X' indicate some exceptions to the regular #3 schedule of prices, and explanations of these exceptions are given following the names so marked."

(SAM-9-1-2, Serial 3576)

The exceptions after the names so marked vary in terms. Some examples are: "May be quoted stockers' prices on steel split pulleys, and #3 on balance"; "May be quoted #4 discount on certain class of chain. See discount schedule"; "May be given #3 on chain only, #2 on balance".

PB102 is a sheet headed "#3 Schedule on Wood Split Pulleys Only #2 on Balance". One copy contained among the exhibits bears the date 12-12-38 and lists 12 firms. Another copy contained in exhibit M43 is undated and lists 14 firms, including the 12 appearing on the dated list.

PB103 to 106 inclusive are entitled "Schedule 'AB' Pulp and Paper Mills". A revised copy of PB103, dated October 24, 1951 has the additional heading "Only Mills Listed to be Given This Discount - All Others Get #1 Throughout" (JEM-11-1-70, Serial 2725). Appended to the concluding page of the list of pulp and paper mills, PB105, is a list of sawmills with the following head note:

"The following sawmills may be given 'AB' discounts on chain & sprockets only." (SAB-1-10-7, Serial 12227)

PB sheets 106 and 107 are entitled "Schedule 'C'". The firms listed on these sheets are described in PB16-b as machinery manufacturers and in the evidence of W. T. E. Smith as machinery manufacturers who purchase materials to incorporate in their products.

The rates of discount set out in the pricing material for different classifications of customers vary for different products and not all classes of customers are listed for each product. For example, on some PB discount sheets it is indicated that prices to AB customers, pulp and paper mills are the same as for class #1. An illustration of a product having discounts of all types is that of malleable, heat-treated and steel chain, the discounts for which are shown on PB39. The following are two items from this sheet together with footnotes:

"MALLEABLE, HEAT-TREATED

<u>AND STEEL CHAIN</u>	<u>#1</u>	<u>#2</u>	<u>#3</u>	<u>AB</u>
Ewart - J up to & incl. #77	+155	+155-5	+155-12-1/2	+155-10
			<u>#4</u>	
				+155-20 NB
...				

'EC' & 'SS' Class:

<u>Stock Sizes</u> , Heavy Type	+115	+115-5	+115-10	+115
			<u>#4</u>	
				+78 M

NB - #4 Discounts indicated by Suffix 'NB' are correct for malleable chains only. On heat-treated chains the additional discount beyond 'base' is to be 15% instead of 20%.

M - These discounts may be extended to Mathews Conveyor Co., Jervis B. Webb Co., and Lamson Co.

'C' Discount is #1 discount less 10%"

The PB sheets relating to classification of customers and the lists are revised from time to time and new sheets incorporating the changes have been circulated in the same manner as the other pricing material.

CHAPTER IV

CIRCULATION OF PRICING MATERIAL RELATING TO PRAIRIE PROVINCES

1. Evidence as to Arrangements between Eastern and Prairie Manufacturers

A system to provide for the pricing of certain classes of merchandise with particular reference to the Prairie Provinces was worked out in the period prior to the outbreak of World War II. The general principles which were to be applicable to designated manufacturers in Eastern Canada and in the Prairie Provinces were set out in a document entitled "Prairie Agreement". Selling prices under the "Prairie Agreement" were to be arrived at by the use of prairie discounts which were itemized separately for Winnipeg and Calgary and Edmonton. These were designated "W" for Winnipeg and "CE" for Calgary and Edmonton. The arrangement thus embraced the general principles for the pricing of merchandise and the detailed prices themselves. This is indicated by an index which was attached to a copy of the "Prairie Agreement" found in the files of Standard Iron and which is as follows:

"P-1604

PRAIRIE AGREEMENT

INDEX:

Principal agreements	page 1605
Terms, taxes, guarantees, etc.	1607
Rules	1608
Ethics	1609
Agent relations	1609
Special discount ratings	1610
Transmission details	1611
Chain details	1612
List prices	1613

Definitions	1614
Miscellaneous	1614
Winnipeg discounts	1618
PEF/46 Calgary, Edmonton discounts	1626"

(SEW-2-1-2, Serial 16786)

The association of discount sheets and the general arrangement on prices appears to have existed from an early period in view of the following letter of March 16, 1936, from Link-Belt to Standard Iron:

"Enclosed are the three copies of the new prairie discounts which you requested. Please destroy your old sheets bearing the same numbers.

Note, please, that sheets Pl600 to Pl615 inclusive are still effective as originally written.

The new schedule is to become effective March 23rd, 1936."

(SEW-12-6, Serial 16651)

There is no copy of the "Prairie Agreement" in evidence dated as early as 1936, but one copy among the exhibits has some pages dated May 1, 1937, September 16, 1937, March 1, 1938, April 1, 1939, July 3, 1939 and October 23, 1939. It will be noted, however, that in the index given above, sheets preceding page 1618 contained the general principles of the "Prairie Agreement" and later pages contained the details of discounts. The minutes of the Institute indicate that during a period beginning in 1947 some efforts were made to revise the "Prairie Agreement" but the evidence does not disclose that a revised agreement came into effect.

W. T. E. Smith of United Steel gave the following evidence:

"Q. What do you mean by 'the Prairie agreement'?

A. At one time long years ago there was an attempt made to set down in some sort of order a standard method of merchandising in the Prairie Provinces. It was never very effectual. Its scope was limited, and I think through time it went into disuse.

Q. Do you know for what period it was in effect?

A. Oh, I think it probably was theoretically in effect up until the war started, and then , of course, a price freeze came in.

Q. What about the post-war period?

A. Well, I have forgotten now, but I think that during the post-war period there were one or two attempts made to kind of bring the thing to life, but I do not think anything ever happened to it.

THE CHAIRMAN: Q. At what time would that be?

You say 'the post-war period', but some people speak of this as the post-war period.

A. I am afraid I could not answer that.

Q. Do you mean 1945, or 1952, or when did these attempts occur?

A. I am afraid I could not answer that question accurately, Mr. Smith; I am sorry."

(Evidence, pp. 601-02)

The practice of circulating discount sheets of prairie prices continued in the post-war period and was being followed up to the time of the inquiry. An example is sheet P-1619W which sets out the Winnipeg discounts for heat-treated malleable buckets. Copies of this sheet included in the exhibits bear the date "June 25, 1952 (Replacing sheet issued May 24/52)" (LBT-10-1-11, Serial 7826). It appears evident, therefore, that the practice of circulating price sheets as developed in connection with the "Prairie Agreement" continued to be followed even without a restatement of the general principles under which the practice had been developed.

The groups of Prairie and Eastern manufacturers are designated as follows in paragraphs 1 and 2 of the "Prairie Agreement":

"4-1-39

P-1605

PRAIRIE AGREEMENT

1. The following prairie manufacturers are referred to as 'PM' in the following paragraphs:

Manitoba Bridge & Iron Works Ltd.,	Winnipeg
Strong-Scott Mfg. Co. Ltd.	"
Vulcan Iron Works Ltd.	"

Riverside Iron Works Ltd.,	Calgary
Strong-Scott Mfg. Co. Ltd.	"
Standard Iron Works Ltd.	Edmonton

2. The following eastern manufacturers are referred to as 'EM' in the following paragraphs:

Bond Engineering Works Ltd.	Plessisville Foundry
Dodge Mfg. Co. Ltd. (United Steel Corp.)	
Jeffrey Mfg. Co. Ltd.	Stephens-Adamson Mfg.
Link-Belt Limited	Co. of Canada Ltd.
Webster-Inglis Co. Ltd.	

..."

(LBT-8-15, Serial 6777)

As revised in 1939 the "Prairie Agreement" consisted of 81 numbered paragraphs containing detailed provisions for the determination of selling prices in various circumstances with respect to sales outside the industry and also with respect to sales between members of the prairie and eastern groups.

It was represented on behalf of Standard Iron that that company had entered into an agency agreement with Link-Belt in 1932 and that the prairie discount sheets were sent to Standard Iron by Link-Belt by reason of that agreement. It appears from the provisions of the "Prairie Agreement" that the existence of certain agency arrangements was taken into account in the drafting of the general principles because one section bears the heading "Agent Relations". Among the paragraphs in this section are the following:

- "40. The following concerns act as agents for the different eastern manufacturers: Adams Supply Co., Ferguson Supply Co., Kipp-Kelly, Mumford Medland Ltd., Riverside Iron Works and Standard Iron Works, also, Gormans Limited, Edmonton, 3/2/35. They may be given #3W or #3CE prices by competitive agents or by PM. (See Paragraph 11 for exceptions.)

This list may be added to, or subtracted from, from time to time, depending on appointments or cancellations by the EM, of agency arrangements.

Credit responsibility for the agent is not assumed by the EM, unless orders are on the forms of the EM.

41. While this agreement remains in effect, none of the PM except Riverside Iron Works and Standard Iron Works, will

act as agents of the EM.

- 41a. Strong-Scott or Vulcan are permitted to make agency arrangements with EM covering shipments into Alberta."

(LBT-8-15-6, Serial 6782)

It was specifically provided in the "Prairie Agreement" that the provisions applied to "merchandise jobs only . . ." "There is no understanding about prices on engineering jobs." The list prices to which the discounts applied were described as follows in the agreement:

- "66. Link-Belt #800 catalogue has been used for principal references for price lists, but if there is variation from, or addition to these lists in the 'Corrected Lists' previously submitted, in 'Standard List Prices in Canada', or in LP sheets, the latter are to prevail."

(LBT-8-15-10, Serial 6786)

The following paragraphs in the "Prairie Agreement" illustrate the manner in which the provisions were directed toward the use of common prices:

- "28. If you receive an inquiry covering material coming under the definition of 'Merchandise Jobs', per paragraph 72, and if you influence customer to adopt another design for which you assume responsibility, you will use the schedule of prices herewith in figuring the revised specification.
29. If a PM or EM receives an inquiry on which a competitor's material is specified, such material not being covered by agreed-to lists and discounts, it is the obligation of the concern whose material is not specified to get in touch with the concern whose material is specified, in order to ascertain the correct price. The obligation does not rest with the concern whose material is specified."

(LBT-8-15-4, 8-15-5, Serials 6780-81)

That the companies designated as Prairie manufacturers under the "Prairie Agreement" were consulted on occasion about changes in prices is indicated by letters written in 1941 by W. T. E. Smith, then with Link-Belt, to the Prairie manufacturers. A letter of August 14, 1941, to the western manufacturers listed in the "Prairie Agreement" contained the following:

"During the last few months there have been a series of changes and revisions made to our eastern prices which have had the effect of putting most of the Prairie prices out of line. The number of changes involved was so large that we decided to review the Prairie Discount Sheet completely.

. . .

LP-37 The top tabulation on this sheet sets forth the new list prices on steel lining for screw conveyors in wood troughs to which you recently agreed. The lower tabulations indicate the new list prices on Screw conveyor couplings, drive and end shafts which have been agreed to by the Eastern group and which we suggest the Prairie group adopt.

LP-38 New list prices on certain screw conveyor hangers are shown on this page. They have been adopted by the Eastern group and we suggest they be adopted by the Prairie group. List prices on all hangers other than those on LP-38 remain as they now are.

LP-39 This temporary sheet shows the new list prices which the Eastern group adopted at the last meeting.

. . .

We earnestly request that you get together with others in your district as soon as convenient, and let us have your collective approval or comments. The next meeting of the Eastern group will be held early in September and we would like to secure your agreement so that the new prices can be ratified at that time.

. . ."

(SEW-3-2-50, 3-2-51, Serials
16728-29)

In a further letter of August 18, 1941, headed "To the Prairie Manufacturers", W. T. E. Smith referred to a change made in Eastern pricing on Salem buckets and expressed his belief that the Prairie manufacturers would be in favour of adopting the method of pricing as the "Prairie group have followed [it] in the past" (SEW-2-1-13, Serial 16738).

The practice to treat pricing material as a common matter between the Eastern and Prairie manufacturers is indicated in a circular letter of June 25, 1946, on the letterhead of the Institute and bearing the typewritten signature of W. T. E. Smith who, since 1943, has been employed by United Steel. The letter is as follows:

"Following our recent negotiations, arrangements were made to adopt the suggested discounts, which were submitted to you for your consideration.

The new discounts are effective immediately, in fact, most companies are probably using them already.

Shown below is a list of those to whom a copy of this letter is being sent and opposite each is the number of copies of the sheets which are going forward under separate cover.

Your co-operation in making these prices effective immediately will be sincerely appreciated.

If sufficient copies are not received please advise this office of the additional quantity required.

Yours very truly,

W. T. E. Smith.

K. B. Schioler, Manitoba Bridge & Iron Works, Winnipeg	5
R. A. Millar, Riverside Iron Works Ltd., Calgary	5
R. M. Dingwall, Standard Iron Works Ltd., Edmonton	5
A. McPherson, Strong-Scott Mfg. Co. Ltd., Winnipeg	6
E. Anderson, Vulcan Iron Works Ltd., Winnipeg	10
H. Graham, Bond Engineering Works, Toronto	3
R. H. Ross, Jeffrey Mfg. Co. Ltd., Montreal	15
J. Farley, Link-Belt Co. Ltd., Toronto	15
G. A. Freeman, Stephens-Adamson Mfg. Co. Belleville	10
W. T. Smith, United Steel Corp. Ltd., Toronto	5
R. L. Smallwood, Webster Smallwood Co., Toronto	3
J. A. Forand, Forano Limited, Plessisville, Quebec	6"

(FOP-13-1-5, Serial 309)

In regard to pricing material covering merchandise purchased from Eastern manufacturers, A. R. McPherson gave the following evidence:

"A. We commonly sell merchandise in Western Canada which we do not manufacture, and purchase from various other manufacturers. In establishing our price books to our customers, that is, to put a price list out to the trade so that they would know at what price they were going to purchase the items from us, we contacted the eastern manufacturer from whom we purchased some particular item and asked him what his prices currently were, or what they would be, and we were awaiting some pricing information

from an eastern firm before we could proceed with the completion of our own price book."

(Evidence, pp. 1613-14)

Evidence to the same effect was given by R. A. Hamlin, also of Strong-Scott (Evidence, p. 1655) and by K. B. Schioler of Manitoba Bridge (Evidence, pp. 1661-65).

2. List of Elevator Machinery Discounts and Prices of Prairie Manufacturers

In addition to the pricing material circulated to Eastern and Prairie manufacturers, certain pricing material was prepared and used only by the Prairie manufacturers. For some years (the evidence does not make clear the exact period), this pricing material was prepared in the form of a schedule bearing the title "Elevator Machinery Discounts and Prices". The only copies in evidence bear the date February 1, 1941, but it appears that the practice of compiling pricing material in a similar if not in the same way had been carried on in earlier years and also in later years extending into the 1950's. The pricing material appears to have been intended to provide price lists for products made exclusively by individual Prairie manufacturers as well as for products made by two or more companies or secured from sources of manufacture outside the Prairie Provinces.

The following is contained in the evidence of A. R. McPherson of Strong-Scott on the preparation of price lists in consultation with other manufacturers in Winnipeg:

"A. . . . We do not make everything that we require ourselves, and generally after I have gone over our own costs, I phone one or two other manufacturers locally who manufacture items which we buy, and who purchase items which we manufacture which they do not manufacture competitively, and I tell them that I have gone over our costs, and we are going to find it necessary to increase the price on certain goods we are selling to them, and I wonder if they have investigated their own costs, and if so, whether they know what they are going to set on the items which we purchase from them. We do a fairly large amount of interchange business, and we have a nominal interchange discount on items that we provide to competitors, and on items which our competitors provide us, in the role of purchaser and vendor. In order that we can cover prices of certain items we have to buy I will say all right now, what price are you going to charge for such and such an item? What resale discount will you allow us? There is quite a bit of horse

trading. I don't think they allow us enough resale discount, and they want to know what resale discount we are going to allow them, and we bluntly say we cannot allow any. But we generally iron it out, making a range from 5 to 10 on interchange.

We also at the same time have costed most of the competitive items which we manufacture, that is, which are manufactured commonly by the other firms, we have costed those, and I have established what I think is going to be the selling price. That is within my province. Sometimes there is quite a bit of interchange surprisingly enough even on competitive items. We may get an order for a bill of machinery for an elevator where the customer specifies one item or two items manufactured by one of our competitors. The customer does not want to have to buy equipment from ten different places downtown and have all the trouble of picking it up and billing it for carload shipment, so he gives one company the complete order even if it is calling for some competitive parts.

Q. You say there are certain items common to you and your competitors?

A. Correct.

Q. How is the price of those items arrived at for publication in the price setup?

A. I pretty well establish those prices on the basis of costs to Strong-Scott Limited. I think it is probably generally conceded we are the lowest cost producers of the people who are in the competitive business in Winnipeg. I think our competitors would very often like to raise their prices. I establish the price on the basis of our cost plus a reasonable resale markup, and since my time with the company, which has only been since 1939, as you will appreciate the prices have not declined, rather there has been a gradual increase year after year, Mr. MacLeod.

Q. Yes?

A. And I have priced out items which are made by other manufacturers, and generally when I take advantage of an increase they are only too happy to follow suit. They need the increase far more than I do.

Q. Do you discuss prices with the other manufacturers?

A. Not on competitive items.

Q. How did you set the price in that case?

A. I take our own costs and add a reasonable margin.

Q. You said you took your own costs. On any occasion do you discuss that with your competitors?

A. No. My competitors might say, You can't make it for that much money; your price is too low.

Q. What is the last time one of these documents was issued, Elevator Price Setup?

A. I couldn't tell you. We issue internal price changes, but I don't think we have had any general changes for a couple of years. We certainly did not this spring.

Q. What I am trying to get it [at] is that a current document?

A. This one here?

Q. Yes?

A. Very definitely no. It is dated February, 1941.

Q. Do you have an equivalent document today?

A. I doubt it. It is incorporated into our price book now.

Q. What is the last time to your knowledge you had a document similar to that?

A. It is a few years ago, I cannot say definitely.

BY MR. MacAULAY:

Q. I think the question will be how similar?

A. Oh, very similar I would think."

(Evidence, pp. 1622-25)

When Donald R. Cameron of Vulcan was questioned as to discussions with representatives of other companies in the preparation of price lists he gave the following testimony:

"Q. What are you talking about there in that paragraph?

A. Referring to items we would make up ourselves, we would normally make up for stock. During the previous year we make up stock items as well, and I asked Johnnie to check over and find out what our markup for the year would be over and above our costs, whether our cost was running higher than warranted by the sale price or whether we could run on the same price as previously.

Q. Why should you have discussions with officers of other companies?

A. There are quite a number of items supplied to Strong-Scott, and we gave them a price list for the previous year. If there is going to be any change we let them know.

Q. Isn't it a fact you sit down and make up the price list together?

A. I would say that we occasionally do check. It is not a customary thing. We may have a meeting and we may not. We haven't had one for two years. We have had one in the five years I have been on Sales. It is not a thing we have to discuss with them because certain items are interchangeable, such as pulleys. We show then [them] all sizes that would be available, and should we require a size we haven't a pattern for we cannot afford to make it up and we would buy it from Manitoba Bridge, and in that way our prices have to correspond. If a customer phones up for something that we cannot supply and make a pattern for we would use the price list of Strong-Scott.

Q. Is this a sheet or a document you are talking about there?

A. I didn't get your question.

Q. Is it a document published by several companies?

A. Our price list?

Q. Yes?

A. No, we publish that ourselves.

Q. You sit down with the officers of the other companies and discuss your own price list, is that it?

A. No, we arrive at our own price list, and that is submitted

to Strong-Scott on those items of ours we supply them. We give them our price list so that they can buy from us, and we try and maintain them once we have set them."

(Evidence, pp. 1674-76)

That the common price list for elevator equipment was regarded, at least by Strong-Scott, as part of an agreement in the pre-war period is indicated by the following letter of March 27, 1939, between the Winnipeg and Calgary offices of Strong-Scott:

"Further to the two copies of Elevator Price Set-up sent to you the other day, we are enclosing Addendum #1, in duplicate, which, you will notice, cancels the extra charge of \$12.50 for Cradles of special widths.

We might say that whilst this is officially instituted by the Vulcan, we ourselves, were consulted, and this was done with our full knowledge and consent, the thought being, that the Bridge, to us, were hardly subscribing in full to the nature of our agreement in the following three ways:

1st: It was felt that they, through their subsidiary, the Riverside Iron Works, had not tried very hard to line up MacNeil and, in fact, were quite willing to let the matter rest in view of the work they enjoy through MacNeil's activities.

2nd: They insisted on keeping the straight lift change-over down to MacNeil's price, instead of bringing it up to ours, and so, weaken any argument we might have with MacNeil.

3rd: Without advising the Vulcan or ourselves, they adopted the wide cradle on their Telescope job, even after agreeing that 6'6" would be the standard for all Dumps.

It was therefore felt that some action might be politic to kind of jolt them a bit, hence the Addendum.

Regarding this matter, at the moment it would appear that as far as the Vulcan and ourselves are concerned, we will adopt a 7'10" cradle as a standard article, and would appreciate your ideas on this, as to whether this would satisfy the Alberta trade or not, as of course if the wide cradle should be preferred by most of the customers, it then would mean just one line of cradle production, instead of two or more, which would offset to some extent, the additional material cost involved."

(SSL-2-1-1, 2-1-2, Serials 16222-23)

Reference to the price list on elevator equipment in a manner indicating a common list for various manufacturers appears in correspondence between Standard Iron and Manitoba Bridge in 1946. On June 7, 1946, Standard Iron wrote as follows to Manitoba Bridge:

"Will you please arrange to forward to us as soon as it is ready the new price list on elevator equipment.

We understand that a new price-set-up was arranged recently by the manufacturers and suppliers in Winnipeg, and we wish to have an up-to-date one to replace that which is on our files at present."

(SEW-1-1-2, Serial 16741)

The reply of Manitoba Bridge, dated June 11, 1946, contained the following:

"Your letter of the 7th instant received and we are sending herewith a copy of new price list on Elevator Equipment -- prices taking effect on May 16th, 1946. It is regretted we have been unable to send it sooner, we had, though, to wait for certain prices from Eastern manufacturers."

(SEW-1-1-1, Serial 16742)

Indication of consultation on a more general basis in regard to pricing items generally handled by Prairie manufacturers is given in a letter of June 29, 1950, from E. Anderson of Vulcan to H. Clowes of the same company, which reads as follows:

"A letter from the Canadian Corrugating & Stamping Co. Limited, dated June 27, increasing prices on elevator buckets is passed on to you herewith.

In view of this letter and price lists attached it would appear necessary for us to increase our prices to the grain elevator trade. This should be done in consultation with Mr. Allen MacPherson [Strong-Scott] and Mr. Alex Bodie.

When you have a new price list drafted, please submit it to me for approval.

After completion the papers are to be returned to Miss Cottrill for filing."

(VIE-3-4-1, Serial 15258)

The following letter of November 17, 1950, also from E. Anderson to H. Clowes, both of Vulcan, indicates that at meetings of

company representatives there was discussion of the price list for elevator machinery in all its aspects and not merely the presentation of prices for the products of individual companies:

"Attached is Allen MacPherson's draft on suggested price list for Grain Elevator Machinery. We have been requested to look this over, and be prepared to have another meeting in Strong-Scott's office early next week, so that the final set-up can be decided on and mailed to Mr. MacPherson in Toronto. He has already left for there, and should have it by Thursday or Friday of next week.

These are F.O.B. Winnipeg prices only, and no set-up for the Calgary-Edmonton area has been worked out. Mr. MacPherson suggests that in establishing Calgary-Edmonton prices we investigate the matter of freight rates and not be dependent on just the 5% differential."

(VIE-3-2, Serial 15256)

Evidence that meetings among manufacturers in Winnipeg continued to be held as late as 1952 is contained in documents found in the files of Vulcan. In a memorandum of January 9, 1952, D. R. Cameron of Vulcan wrote to J. Janz of the same company as follows:

"Further to our discussion on elevator machinery costs I would suggest that you review as many items as possible, picking out random items in the various sections of the elevator price list, excluding all outside items, etc., where the price will be set by others. Thus it would not be necessary to check all collars but, rather, pick out one or two sizes to work from and give me a rough idea of the percentage of profit in order that we can arrive at an average increase to our elevator list."

(VIE-3-1, Serial 15255)

Writing to H. O. Jones, President of Vulcan, on January 14, 1952, D. R. Cameron said:

"There is to be a meeting on Tuesday afternoon of Mr. Schioler [Manitoba Bridge], Mr. MacPherson of Strong-Scott, Harry Clowes [Vulcan] and yourself, with regard to elevator equipment prices. Johnny Janz Jr. has been checking our costs and should have some figures ready for you by Monday."

(VIE-1-1-2, Serial 15251)

CHAPTER V

EVIDENCE AS TO USE OF PRICING MATERIAL

A great deal of the testimony of witnesses in the inquiry and a large part of the oral argument before the Commission were concerned with the use made of the pricing material circulated through the Institute and what part such material played in the actual prices quoted or charged by individual companies. In view of these representations it seems appropriate to consider carefully the attention which was given to the price sheets and related material by the recipient companies as is made evident by instructions to company personnel, by communications within individual companies, by correspondence between officials of different companies and by references in correspondence to the policies and practices which it was expected would be followed by those receiving the pricing material.

It is necessary to bear in mind that the circulation of pricing material has been carried on through the Institute for a very lengthy period. Although the mechanics of the distribution of copies have not remained the same throughout the life of the Institute the practice of circulating pricing material has remained much the same.

The use of Institute pricing material in connection with the price lists of an individual company is indicated in a letter of September 3, 1946 from D. J. Batchelor of Stephens-Adamson to the parent company in the United States, which contained the following:

" . . .

Regarding the second paragraph of your letter, strange as it may seem, discount sheet 72241 is very important to us here. I believe some years ago we sent Aurora a copy of this discount sheet marked up in the way we use it here in Belleville for your information. This, of course, was a long time ago and probably you have overlooked the fact that we marked up special discounts to agree with Association lists in this particular discount sheet so that the #55 catalogue can be used in conjunction with the Association lists without having to have a whole lot of research work. We have found that it works very nicely this way and have only had to make about four revisions in the prices since the sheet was issued as a large majority of the items are Association and are marked with a big 'A'. These, of course, are changed on #72241

but simply mean that the items in question are to be priced by Association and not by the Aurora lists.

... "

(SAB-3-2, Serial 12134)

The same attention to association prices is indicated in an exchange of letters between officials of Stephens-Adamson in 1947. On November 3, 1947, H. W. Peterson wrote to D. J. Batchelor:

"We have the Aurora discount sheets which were returned to us and in connection with trippers (pages 48/50) we note your remarks 'correct for steel frame trippers - for cast iron frame trippers'.

... "

(SAB-12-1-2, Serial 12163)

In his reply on November 4, 1947, Mr. Batchelor said:

"... "

For your information cast iron trippers are association.

... "

(SAB-12-1-1, Serial 12164)

The manner in which Institute price material was applied by Forano is indicated by the following teletype messages between officials of the company. On March 19, 1948, Mr. Beauchesne sent the following message to Mr. Hebert:

"WE NOTE ON PAGE A OF THE DISCOUNT SHEET THAT ALUMINUM CO OF CANADA LTD HAVE A DISCOUNT AS FOLLOWS

NO 1 FOR TIEM [sic] WITH X B ON BALANCE

THIS B IS IT THE SAME THING AS NO 2 DISCOUNT OR IS IT A SPECIAL ARRANGEMENT AS OF PRICE LET SAY FOR IN-STANCE 10 PERCENT ON THE SELLING PRICE

MY UNDERSTANDING THAT THIS B IS EQUIVALENT TO NO 2 DISCOUNT BUT I AM NOT SURE IF I AM RIGHT

WOULD YOU BE KIND ENOUGH TO LOOK INTO THIS AND PUT ME BACK ON THE TRACK AGAIN"

(FOM-15-1-1, Serial 15087)

The reply of Mr. Hebert, on the same day, reads as follows:

"THE MEANING OF THE NOTE IN OUR LIST IS:

NO. 1 DISCOUNT ON ITEMS WITH X, I.E. ON ITEMS WHERE PRICES ARE CONTROLLED BY THE INSTITUTE.

B ON BALANCE, I.E. DISCOUNTS MARKED A B IN YOUR PRICE BOOK ON ITEMS NOT CONTROLLED BY THE INSTITUTE.

IN MOST CASES THE A B DISCOUNTS CORRESPOND TO NO. 1."

(FOM-15-1-2, Serial 15088)

This use of Institute pricing material and the belief that the practice of so using the price lists was followed by other members, are indicated in a letter of March 7, 1949, from Mr. Lalonde of Forano to Mr. Hebert of the same company:

"Herewith please find Link-Belt data book No. 1957-A covering Roller Chains and Sprockets.

In figuring our prices on roller chain drives, we are using the list prices shown in this data book subject to the discounts referred to in complete unit price book sheet PB-51.

This procedure is followed by our competitors and we hope that it will be satisfactory to you."

(FOM-10-1, Serial 15094)

Similar attention to Institute pricing material is shown in a teletype message of August 29, 1949, between officials of Forano, part of which reads as follows:

"THESE [sic] IS TO INFORM YOU THAT WE ARE WILLING TO MANUFACTURE THESE FOUR INCH IDLERS AND STANDARD ASSOCIATION PRICES SHOULD APPLY ACCORDINGLY"

(2 FOM-8, Serial 15102)

The establishment of common list prices at Institute meetings and the circulation of price sheets to afford a common basis of pricing are clearly implied by the following letter of November 16, 1949, from C. W. Rudge, President of Jeffrey, to Mr. Cornell of the same company.

"At our last get-together you will recall it was left up to us to show the correct method for pricing split cast iron sprockets with bores larger than standard as listed in our catalogue. I believe it is the intention to have this inserted in our price sheets so that everyone will be pricing sprockets in the same manner.

As our next meeting is scheduled for the early part of December, will you please arrange to have examples worked out for submission at this next meeting."

(JEM-13-1, Serial 2341)

When Mr. Cornell was examined as to the meaning of this document, he said that he was not certain whether the term "get-together" referred to a meeting within the company or to an Institute meeting, but that the second paragraph of the letter clearly referred to a meeting of the association.

Mr. Cornell, who is District Manager of Jeffrey at Toronto, was questioned as to the use of price books by the staff in his office and gave the following evidence:

"Q. You say that all members of your staff have price books?

A. That is right.

Q. Do they follow those? Are they instructed to follow the prices in the price book?

A. The price book is used as a guide to compile our quotations.

Q. Well, now, who has authority to set a different price than that set out in the price book?

A. I might be consulted. If I thought the competition was such, we would probably change the price.

Q. Are you the only person on the staff of the Toronto office that would have authority to change prices?

A. Yes."

(Evidence, p. 497)

The practice of adopting revisions in prices which would be incorporated in Institute pricing material is illustrated in the following instructions to its staff given by Forano on August 28, 1950:

"EFFECTIVE AUGUST 15 THE CONVEYOR AND POWER TRANSMISSION INSTITUTE OF CANADA HAS SUGGESTED A GENERAL INCREASE OF 10 PERCENT ON ALL THE MATERIAL COVERED BY THE COMPLETE UNIT PRICE BOOK.

NEW SHEETS OF REVISION WILL BE MAILED TO YOU TO-DAY OR TO-MORROW.

UNTIL SUCH TIME AS YOUR NO. 46T PRICE BOOK IS REVISED YOU ARE REQUESTED TO APPLY 10 PERCENT EXTRA ON ALL THE ITEMS LISTED.

REVISED DISCOUNT SHEETS WILL BE PREPARED AND FORWARDED TO YOU AS SOON AS WE POSSIBLY CAN.

ON QUOTATIONS, IN THE AMOUNT OF \$500. OR MORE, THAT WILL BE ISSUED BY YOUR OFFICE FROM NOW ON AN ESCALATOR CLAUSE SHOULD APPEAR. THE WORDING OF THIS CLAUSE TO BE IN GENERAL ACCORDANCE WITH WHAT HAS BEEN USED ON THE RECENT PRICE REVISION TO BROWN CORP. FOR THE FOUR FOOT LOG SORTING MACHINE.

PLEASE ADVISE YOUR STAFF ACCORDINGLY."

(FOM-12-2, Serial 15128)

The following letter from the files of Forano indicates the close attention paid to pricing material circulated by the Institute and also the attitude that a member departing from the common price basis should be in a position to defend its action. On July 9, 1952, L. P. Hebert of Forano wrote to the President of the company as follows:

"Our Montreal Office has been favoured recently with three inquiries from Aluminum Co. of Canada Limited for the following equipment:-

One Bucket Elevator .
Machinery for one Belt Conveyor .
One, ditto .

The material covered by the above inquiries has been priced:-

For the Bucket Elevator - in strict accordance with instructions given in the Institute Complete Unit Price Book.

For the 2 Belt Conveyors - We have applied merchandise prices because all the items were detailed and no engineering was required. According to the Association set-up, in such cases, we are supposed to apply engineering charges when we are to supply head & tail shaft assemblies even if these are detailed on customer's drawing or inquiries.

We intentionally omitted to apply this engineering charge on the machinery for Belt Conveyors in order to increase our chances of getting these orders.

The orders went to Stephens-Adamson at a price slightly lower than ours which means that the Institute price set-up has not been followed by our competitor.

The purpose of this letter is to put the above transaction on record to be used as a proof in case of our having to defend ourselves with the Institute Members at a later date."

(FOP-9-5, Serial 987)

The foregoing examples from the evidence have been cited by way of illustration and many other incidents showing the use of pricing material or the attention given to it are contained in the record of the inquiry. In the opinion of the Commission there is no question that the pricing material distributed through the Institute was used as the working basis by members of the Institute for the products and services to which it related. That, on some occasions, a member would use a price other than the price resulting from a strict application of the Institute pricing material does not mean that the common price structure for the Institute members ceased to be an effective part of the pricing policies of all members. The fact that the pricing material was circulated with such care and in such detail over the years must be taken as pointing emphatically to the continued existence of a situation in which such material was expected to play an effective part in maintaining common price policies on the part of members of the Institute.

CHAPTER VI

EVIDENCE RELATING TO PREPARATION OF QUOTATIONS IN CONNECTION WITH TENDERS

1. General Situation

It will be recalled that a distinction is made in the Institute pricing material between "merchandise" and "complete unit" sales. While customers seeking transmission and conveying equipment might invite tenders for the supply of what would be regarded by the industry as either merchandise or complete unit, it would appear that tenders are more frequently invited for the supply of complete units. Other methods of purchase are, of course, also employed. It was represented on behalf of Stephens-Adamson that from 35% to 50% of the dollar volume of contracts undertaken by that company were on a negotiated price basis, sometimes a target price with an alternative cost-plus basis, whichever proved to be the lower at the conclusion of the contract. There are other cases in which an order will be given directly to one company because the customer already has equipment of that company in use and wishes to add machinery of the same manufacture, or because of the desire to get machinery made only by one company, or for other reasons. While no statistical information was furnished the Commission as to the proportion of business done on a tender basis, it would appear that quotations on invitations to tender are sought in a large proportion of cases involving complete units.

Another point which has been mentioned previously and which has particular relevance with respect to tenders is that the pricing material circulated through the Institute does not appear to have been directed toward uniformity in the total price for a complete transmission or conveying assembly. In the design of a transmission or conveying installation there are so many possible variations in the type of framework and in the combination of machinery units that engineers and estimators for different companies are very unlikely to arrive at the same quantities or weights or machinery components in preparing quotations. So that even if identical prices were used for similar items the overall price would vary because of differences in design and specifications for materials.

Although uniformity in quotations on tenders has not been sought in Association activity there has been continued effort to prevent reductions in prices below those commonly accepted. The circulation of pricing material has been the most persistent aspect of this

endeavour, but linked to this have been the exchange of other information, the discussions of general policy and of specific instances at meetings and other discussions between individual companies. Some examples from the evidence will indicate in a more definite way the manner in which such discussions were carried on and the objectives sought.

In a letter dated February 26, 1947, G. A. Freeman of Stephens-Adamson wrote the company's Montreal Manager as follows:

"Referring to your two letters of February 24th regarding two nice quotations on Screw Conveyor Flights for Canada Cement Company, we have checked our prices and they seem to conform to what we should be quoting. Dodge, [United Steel] we didn't think, were deliberately cheating. However, this is the third time this has happened to Canada Cement Company.

Accordingly, I wrote to Ted Smith [United Steel] yesterday specifically referring to these last two quotations and I believe Ted will tell us exactly what they did quote, and if their price is wrong, at least try to give us some explanation as to where their error may have occurred.

It is very possible we ourselves are mistaken but I hardly believe so. At any rate, we do want to follow the matter up so that this will not occur again.

We believe that we are better equipped for the production of conveyors than any of our competitors in Canada, and it seems a shame to lose business of this type. However, you must always bear in mind that customers don't always tell us the real reason as to why we are not given the business. Sometimes they want to give it to some particular firm and the easiest thing is to say we quoted too high a price."

(SAB-12-2, Serial 12139)

In giving evidence in regard to this letter Mr. Freeman insisted that the expression "cheating" in the first paragraph had no special significance. However it is impossible to take any inference from the letter other than that it was expected that an accepted level of price would be followed in making quotations and that if prices varied downward it must be through error.

The same concern about prices and price levels is indicated in a teletype message of January 19, 1949 from G. A. Freeman of Stephens-Adamson to E. H. Walters of the company's Toronto office, in which the latter was given instructions in regard to an Institute meeting on the following day which Mr. Freeman could not attend. The message reads:

"PLEASE PHONE JOE CROWDER ADVISING IMPOSSIBLE FOR ME TO ATTEND TOMORROW'S MEETING HAVE TALKED TO TED IF HE DOESN'T BRING UP MATTER OF LOW PRICES SUGGEST YOU DO SO ESSENTIAL ESPECIALLY AT PRESENT TIME WITH LOW VOLUME THAT NO JOB BE TAKEN WITHOUT REASONABLE MARGIN OF PROFIT FITTINGS HAVE INCREASED PRICES ON BOTH DETACHABLE AND COMBINATION CHAIN BELIEVE INCREASE ON COMBINATION ESPECIALLY IS NECESSARY VERY SORRY TO MISS THIS MEETING AS I DESIRED TO GET COMPETITORS' VIEW OF PRESENT CONDITIONS IN INDUSTRY MINUTES PROBABLY WILL NOT BE AVAILABLE BEFORE I LEAVE FOR ANNUAL MEETING WISH THEREFORE YOU WOULD WRITE COMPREHENSIVE REPORT ON TOMORROW'S MEETING BY FRIDAY AT LATEST"

(SAB-10-2, Serial 12250)

Mr. Walters made two reports following the meeting. One dealt in some detail with the discussion of various items on the agenda. In regard to combination chain Mr. Walters reported:

"Further to the above we mentioned the remarks made in your teletype message No. BL-63 of January 19th and a small increase is going through on combination chain but it was felt that the laid down price was so very close to the U. S. laid down price that not much advance could be effected."

(SAB-10-1-5, Serial 12261)

In a second letter Mr. Walters reviewed the discussion at the meeting on pricing practices. He reported as follows:

"We had considerable discussion as to upholding the price structure at yesterday's meeting of the Institute and each one of us voiced our thoughts. Most of them were directed at Jeffrey but there were considerable back and forth.

I found out myself that I actually got the wrong information from Mr. Angus in connection with the Visking job. It appears that Jeffrey was low but we were next to them and the job was let to Jeffrey more on the basis of an alternative arrangement which would be of lesser cost than on probably what the rest of us quoted. Larry did satisfy most of us in a general way and told us quite frankly that as far as the Jeffrey policy was concerned, it was going to be more co-operation with the group.

In my own remarks to Larry in connection with the Maple Leaf Milling quotation, Larry admitted that the fault was

probably his own, that they were a lesser price than the rest of us in that he himself told the boys to figure that job as a grain handling job and was surprised to learn that United Steel and ourselves figured this a straight Association set-up, and he did remaind [sic] us that this particular job was an example of where he hoped we would call him and he would call us to clear the status of such, which we must admit is worth trying.

Jeffrey certainly felt it a blow that Harry got the N. S. Light, Heat & Power job and his information was and he asked me why S-A price was so low that they got the job away from Jeffrey which they thought was a job of their own. We did explain to Larry that we understood Harry sold this job on the basis of a heavier job and layout to what anyone else quoted on and we were backed up in this statement by Ted Smith of United Steel. He seemed to have some information in connection with same and thought Harry did a splendid job in regard to selling on this job.

It was pretty obvious to me that we are going to have to take more time when figuring and consider what we are figuring on jobs from now on. They have come through the office so fast for years and months that I do not think we have given enough consideration to a great many of the quotations we have made and these remarks are especially true where we know we are in close competition with our competitors. There are going to be the premium jobs even in competition and those we are giving good service on but I think these are going to be fewer than in the past.

I am still of the same opinion that I was some time ago that we will get more co-operation from Jeffrey than we have in the past but that it will be necessary to be on the alert."

(SAB-10-1-2, Serial 12255)

The attitude of regarding price reductions below the accepted level as a violation of the common practice to use Institute pricing material is indicated in the following Jeffrey memorandum of May 8, 1950:

"JEFFREY MANUFACTURING CO. LIMITED

Memo to	Mr. E. N. Bigney, Vice-President in Charge of Sales, Montreal
From	Mr. C. E. Cornell:RM Date 8th May 1950
Subject	H. G. Acres Company - Hydro-Electric Commission - Windsor, Ontario

Toronto Ref. 2922

Dear Sir:

When you were in our office last week, you knew of course that we submitted our quotation to be in the customer's hands on May 5th.

When Mr. C. W. Rudge, yourself and the writer were uptown Friday afternoon and the writer left you two gentlemen to proceed to the train, the writer came back to the office and had a request to 'phone Mr. Welford at Link-Belt. This was around 4.30 or 4.40 p.m. Pete informed the writer that Stephens-Adamson and the United Steel Corporation had submitted their tender and same was prepared on the following basis:

1. Regular set-up on machinery parts - and from this they cut a straight 15% off.
2. They prepared their estimate on the basis of using a price of 20¢ per lb. on steel net.
3. The engineering was slashed 20%.
4. Erection was shown at \$125.00 per ton.

You can appreciate how the writer felt receiving this information close to 5 p.m. on the closing day of the proposition. Pete felt that it was wrong but stated they had gone along with them and put their bid in likewise.

The writer on Friday then revised our quotation and we had an amendment go in late Friday night revising our price to be competitive with the bids which we have just described.

In discussing the matter with Mr. Welford, he stated they did not know a thing about this arrangement until last Thursday and apparently Stephens-Adamson and United Steel ganged up and arranged the aforementioned price arrangement, which by the way was the basis on which they quoted the Toronto job.

It is rather strange that something did not come up at the Conveyor Association meeting last week as we frankly feel this is the worst violation we have come up against. Apparently there was an arrangement between two companies to gang up against two others. The sad part is that we are not sure what consideration our quotation will receive as you will understand that quotations going to a Government under a seal there is sometimes a question whether an amendment will be considered.

We, without a doubt, feel that this violation calls for an explanation from our competitors.

Yours very truly,

JEFFREY MANUFACTURING CO. LIMITED

Larry

District Manager"

(JEM-7-6-2, 7-6-3,
Serials 2347-48)

In a reply dated May 26, 1950, Mr. Bigney wrote to Mr. Cornell:

"We are late in acknowledging your letter of May 8th relative to the S. A. and United Steel get-together on this job. We should arrange to have a pre-discussion with Charlie Rudge [President of Jeffrey] before the next meeting, which is to be held in Montreal."

(JEM-7-6, Serial 2349)

In his evidence Mr. Cornell said that to his knowledge the particulars given in his letter were as he was told them by Mr. Welford of Link-Belt. He said that he was put out about the action taken by the other companies in using lower figures than those in the price book at such a late time before tenders closed and that the price book had been used as a guide in preparing Jeffrey's quotation (Evidence, pp. 498-99).

Mr. P. G. Welford of Link-Belt gave the following evidence in regard to the incident:

"A. . . . That is quite true, I 'phoned Mr. Cornell about that. That was one of those jobs where the schedules in our book didn't apply, particularly the steel, and on some of the other stuff where there was quite a large quantity of similar items. I managed -- when I started to think about the thing I thought, 'Well, I'll just see if I can get some information.' So I managed to get some out of Mr. Smith. I don't know where I got the information about Stephens-Adamson. Maybe he offered it. I don't know. One of the things that I always tried to follow was a company policy, we were endeavouring at all times to stop any kind of a price war. Now, we had over the years, I don't know when it had started but we had issued our own discount sheets, as you know, through the Association to these people and

told them what we were going to use (period). Now, having done that, it would be a pretty lousy trick and would have a tendency to start a price war if, having found that information out, I didn't tell my good friend, Larry - which I did.

I think it is good business to do that because we must live with one another. As a matter of fact, I don't know why he didn't notice it at the time and simply do it automatically because anything could be quoted. I never knew what their total price was at any time. It was simply a question of tipping Larry off that we were going to deviate from schedules which we had used and which he knew about because he had copies of them.

- Q. Well, you rather give details of what Stephens-Adamson and United Steel Corporation do?
- A. Well, I managed to get that information out of Mr. Smith.
- Q. And does the information listed as 1, 2, 3, and 4 in that letter, was that information obtained by you and passed on to Mr. Cornell?
- A. Something similar to that. I don't remember the details, Mr. MacLeod, but I do remember having something to do with this particular job. It was an unusual thing to do but it was done simply to keep a good friend from thinking that we were just downright scoundrels in saying that we had certain schedules set up, and we weren't adhering to them.
- Q. Would it be possible, if you knew a competitor was taking the four steps mentioned in that letter, for you to arrive at a comparable figure on the quotation?
- A. No, sir.
- Q. Why not?
- A. Well, this is an engineering job, this particular one, in which you simply were told, 'Here it is. We are going to put it in a field.' There would be no two engineers who would arrive at the same amount of steel, the same number of idlers or even the same number of shafts. Oh, there could be wide variations.
- Q. So despite the points of agreement which you report between Stephens-Adamson and United Steel, there might still be a variation in their final prices?

A. Well, I would be surprised if there weren't."

(Evidence, pp. 829-32)

Mr. Cornell was a senior official of Jeffrey and had been attending meetings of the Institute for approximately 15 years. His comment that the actions of the other companies in this particular instance "is the worst violation we have come up against" must be taken as indicating that the understanding among Institute members was that the pricing material circulated through the Institute would be used as the basis for quotations. This is borne out by the action and attitude of Mr. Welford, who retired as General Sales Manager of Link-Belt in 1953. Mr. Welford took steps to notify a competitor that the pricing material circulated through the Institute was not being followed and gave information as to the basis of pricing which was being used. In his evidence he states that he took such action in keeping with the policy of his company to endeavour at all times "to stop any kind of a price war".

Another example from the evidence of the attention given to what were considered instances of price cutting is the following correspondence of G. A. Freeman with other officials of Stephens-Adamson. On June 6, 1950, Mr. Freeman wrote as follows to T. E. O'Neill of Stephens-Adamson's Montreal office:

"I hope that you will be available for the Conveyor and Power Transmission Institute meeting to be held at the Windsor Hotel at ten o'clock on Thursday morning of this week.

Just for your information, I am attaching a copy of a letter I wrote to Al today regarding discussions which may arise.

On account of the fact I have been away so much this year I find it almost impossible to be in attendance at this meeting myself. I would like to come, but going to Montreal it means that you have to leave here the night before and it is a holy nuisance.

I think that you will find these meetings very interesting. They are absolutely informal and of course, while there are sometimes some rather hot discussions and things are said that perhaps might be better be left unsaid, this is only during the period from about ten o'clock until one, when lunch is generally served, and then it gets down to the basis of a friendly talk between the various men who care to sit around the rest of the afternoon.

You know most of the chaps, and if you can possibly put in an appearance I think it would be well worth while."

(SAM-12-43, Serial 3260)

The copy of the letter to E. H. (Al) Walters of the company's Toronto office, referred to in the second paragraph of the above letter, was as follows:

"You will recall at the last Toronto meeting that there was a lot of discussion about price cutting, and everybody mentioned several jobs that they thought should be discussed. We had half a dozen in mind ourselves.

However, in the meantime presumably everybody has felt that no good purpose would be served in bringing up every job which has been placed during the past three or four months at prices below what they should have been.

The list, therefore, has dwindled to the following.

International Nickel, Coppercliff; five bucket elevators. On this job we did not quote, so we are hardly involved in any discussion which may arise except as an interested spectator. Plessisville presumably were low bidders, but apparently the job has not yet been placed.

Consolidated Paper Company; bark handling equipment. We do not recognize this enquiry, and in any event, did not quote.

Chrysler Corporation; pivoted bucket carrier. For your information we are attaching Chrysler Corporation's order to us. When you are through with it of course it will have to be returned for our own files.

On this Chrysler order I called Pete Welford to ask if they were the people who had asked for a discussion and he said 'yes'. After talking to him he felt there was probably not much sense in discussing it, but I told him in any event you would have the customer's order. Of course pivoted buckets, on account of design, are apt to vary considerably in price; that is, the pivoted carrier is the largest single item by far. Coal crushers, of course, may be any place over the map, so it would be pretty hard to arrive at a definite basis for pricing such a job.

In any event, though, it would be interesting to find out what Link-Belt's quotation on this job may have been.

Lever Bros; pivoted bucket. Attached you will find your own copy of the order to us, indicating a reduction of course for the galvanizing which we are not to do. My understanding on Lever Bros. pivoted bucket was that we were the highest of three bidders. I believe that you can convince Pete that this was the case. In any event, it is the type of job on which there probably would not be much uniformity of prices.

The fifth - St. Lawrence Sugar Refineries: In connection with this you will find our estimate attached, also a letter from Ted O'Neill showing the prices quoted. We were in every case high bidders.

Some price lower than our own probably would be justified, as we recognize that with the leybushed chain and malleable iron buckets on which we quoted the price would be substantially higher than with combination chain and Salem buckets or any kind of steel bucket. We do not know the final basis on which the order was placed. However, it seems to be impossible to justify any difference of \$22,000.00.

It will be interesting to learn on what basis Jeffrey quoted.

Incidentally, regarding St. Lawrence Sugar Refineries job, we never had a lot of hope that we would get it.

My thinking regarding this meeting is merely that we must keep harping on the fact that there is no new business actually created because prices are cut. There is still just the same business which would be placed otherwise, but the profit to which some one of us is entitled is no longer existent.

It has been proven time after time that the average material handling job pays for itself in two years, and if a customer makes 50% profit a year in buying a job, there is no reason in the world why the manufacturer, whether it is our own company or one of our competitors, should not make a reasonable profit on the original installation.

One other item which may be discussed is the schedule of meetings for next year; that is, dates and place. Anything which may be arrived at which seems to suit the majority will be satisfactory to us."

(SAM-12-43-2, 12-43-3,
Serials 3261-62)

Various documents among the exhibits indicate exchange of information among Institute members in regard to the price basis on which quotations would be prepared for certain tenders. It was denied by the companies that any agreements were entered into as to the price to be submitted to the customer. In view of the nature of the documents and other evidence as to a common price basis the Commission does not believe that the instances recorded were of an isolated character but that they indicate that the Institute members had followed a practice of exchanging information in an endeavour to maintain a common basis of pricing.

On May 23, 1952, L. P. Hebert of Forano wrote as

follows to another official of that company and had copies sent to two other employees:

"The purpose of this letter is to inform you that the writer has had a phone call from Mr. Ernie Bigney, from Jeffrey Mfg. Co., Saturday last - May 17th, on the subject of these long belt conveyors we have to quote for Dominion Coal.

It has been agreed between Link-Belt, United Steel Corp., Stephens-Adamson and Jeffrey that the following prices would be applied on Steel Frames and Decks for the job in question:-

On Steel Frames - \$0.26 per lb.
On Decks - - - -- 0.31 per lb.
Full engineering to be applied on top of the
above prices per pound,

By phone, the writer has agreed that the same prices would be followed by us in our bids to Dominion Coal.

The above is for your information."

(FOP-5-4, Serial 887)

In giving evidence on this document Mr. Hebert said that the amount of steel involved in this contract would be large and that competition could be expected from companies not members of the Institute whose prices would be lower than those resulting from the normal pricing procedure of Institute members. To meet such competition normal prices had to be reduced. Mr. Hebert also stated that the quantities of steel estimated for the job could vary among the Institute members and therefore the result of using common unit prices would not produce a uniform over-all price (Evidence, pp. 220-23).

Exchange of price information in a similar way is indicated in the following extract from a letter of June 25, 1952, from L. P. Hebert of Forano to another official of the company:

"This letter will confirm our telephone conversation of this morning on the subject of the inquiry you had on June 3rd last through Mr. Staples.

By phone, Monday last Mr. J. A. Forand has been informed by Pete Walford [sic], of Link Belt Limited - Toronto, that other members of the Institute had agreed to quoting on the following basis the equipment called for by Aluminum's inquiry:

Belt Idlers - List - 38 - 10%
Pulleys - - - List - standard eastern discount - 15%

Above prices to be F. O. B. Vancouver.

. . . "

(FOM -2-1-1, Serial 15161)

2. Specific Contract Situations Described
in Forano Correspondence

In further internal correspondence of Forano, references are made to various instances in which there was an exchange of information on quotations on tenders and in which it was asserted that there were undertakings with respect to the bid being made by a competitor. These instances were investigated by the Director and the information received was set out in the Statement of Evidence and was the subject of extensive representations during the hearings before the Commission. The information presented by the Director and the representations made on behalf of the companies concerned will, therefore, be considered in some detail.

The first letter in this connection is one of February 21, 1951, from L. P. Hebert to J. A. Forand, (2FOP-3-1-2, Serial 5545) of which the following is a translation:

"Following your recent suggestion, we submit below a report on a few contracts wherein our competitors were favoured as per agreement passed by you at an Association meeting, in Toronto, a few months ago.

Last September, Jeffrey Mfg. Co. received priority with regard to a power conveyor requested by James MacLaren Co. Ltd., of Buckingham, when our normal price should have been \$12,859.25, while that of Jeffrey was \$18,700.00 and our first quotation was revised to \$18,839.25.

January last, with the same customer involved again, we submitted a price of \$32,622.00 on a conveyor, while Jeffrey's price was \$36,300.00. After an agreement, our price was revised to \$39,511.00.

In October, a request from the Department of Public Works was received by us for coal conveyor equipment for the Port Arthur Hospital. In order to favour Stephens-Adamson, we did not quote on this equipment.

Last October, we received a request from Canadian Commercial Corporation for conveyor equipment for the Marine School H. M. C. S. Shearwater, Dartmouth, N. S. Our price was around \$68,000.00 as figured out by Lalonde's department in

the Montreal office. After an understanding with United Steel Corporation, we quoted a price of \$82,340.00, while the latter company's quotation had been fixed at \$80,997.00.

January last, our competitors gave us priority on a quotation submitted to Canadian Johns-Manville Co. Ltd., of Asbestos, when our final price was approximately \$24,000.00. In this instance, United Steel Corp. was awarded the order at an approximate price of \$27,000.00 as per information received by us, because they went after the business more earnestly than we did; it is very likely that we weren't favoured with this business on account of not being in Asbestos at the psychological moment.

We recently quoted on grain elevator equipment to Commonwealth Construction. According to our estimates, the price of this equipment should have been approximately \$32,000. At the request of United Steel Corporation, we quoted a \$42,000 price in order to favour the latter company. "

Mr. Forand referred to the foregoing report in the following letter of November 6, 1951 to D. W. Campbell of Forano:

"In connection with discussion that took place at the last meeting of the Institute with Jeffrey Mfg. Co., regarding protection that we gave to them re: James MacLaren Company Ltd, I spoke to Mr. Hebert and according to the report he made to me on the 21st of February 1951, it is apparent that we did not give them a very good protection because in the first instance, we quoted a price of \$12,859.25 when the price of Jeffrey was \$18,700.00. We revised our quotation to read \$18,839.25, but Jeffrey says that they met our price and it is probably what took place which means that it was not a good job.

The second case took place in January 1951 where we quoted a price of \$32,622.00 when Jeffrey's price was \$36,300.00. We revised our price and quoted \$39,511.00, but again it was not a good case as we should have come to an agreement before submitting our price.

We have two real good cases with United Steel Corporation, but we do not seem to have a good case with Jeffrey.

If we can get their co-operation with the Johnson's job, I think we should be very careful in the future and try to help them when possible so as to be helped when desired. "

(2FOP-3-1-5, Serial 5578)

In a letter of November 13, 1952, to J. A. Forand, Mr.

Hebert made reference to some of the instances mentioned in his letter of February 21, 1951, and described two later instances, as follows:

"The facts related below have to do with our relations with a member of the Institute, United Steel Corporation, facts which will call for action on our part.

In October 1950, we have had an inquiry from Canadian Commercial Corporation for a Coal Handling System to be installed at H. M. C. S. Shearwater, at Dartmouth, N.S. A selling price had been figured by our Montreal Office at an approximate figure of \$68,000. It must be said that this price of \$68,000 had not been figured according to the Association price set-up. United Steel Corp. requested that we protected their quotation in the amount of \$80,997 and we have agreed then to quote a price of \$82,340 for the job. The job went to United Steel Corp. at their price.

In February 1951, we have received a request for quotation from Commonwealth Construction for Grain Elevator Machinery to be delivered in Vancouver. Working our selling prices on the basis of our normal procedure, we arrived at a total selling price of approximately \$32,000. Once more, we have been requested by United Steel Corp. to protect their price and we have agreed to quote a price of \$42,000 with the result that the order went to United Steel.

Another Grain Elevator job came up last August for Vancouver. The selling price we had worked out came up to \$81,000. This time, we asked ourselves for United Steel Corp. protection to which they agreed. Ted Smith told us then that he felt our prices were too low and recommended that our total price for the job be boosted to \$104,000. They quoted a price of \$105,793 and they had Stephens-Adamson protecting our price in quoting \$106,976. It happened that the same inquiry had been issued by general contractors, Commonwealth Construction, to Ross & Howard in Vancouver who have put a bid at a figure considerably lower than ours. This last firm has finally been awarded the contract and from the information Mr. Timmis has been able to gather in Vancouver, the price quoted by Ross & Howard should have been in the neighbourhood of \$85,000.

Although we must agree that United Steel have protected our price, we must admit that we made a bad move in this instance because our price was so prohibitive that it brought local competition with the result that a profitable job has been lost.

On October 31st last, we have been requested by Commonwealth Construction to quote on Belt Idlers for a Grain Elevator

being re-vamped in Port Arthur. The price we had worked out, according to our standard procedure, came to approximately \$41,500. You will remember that we had decided to quote the above price without consulting United Steel Corp. As we were ready to present our quotation, we received a phone call from Ted Smith, in Toronto, suggesting that we quote a price slightly over \$57,000 for the same job. In his conversation with the writer, Ted Smith suggested that the three main competitors on this bid, i.e. United Steel Corp., Stephens-Adamson and ourselves, quote the same prices and let the best salesman get the job. After a long discussion between yourself, Paul and the writer, we have decided to quote the price as suggested by Ted Smith less approximately 4.75%. We were informed by Don Campbell, over the phone yesterday, that the order for these idlers had been placed with United Steel at a price slightly lower than ours.

We have given our full co-operation to United Steel Corp. on the two cases related above, i.e. Shearwater and Vancouver Grain Elevator first job. We had expected that United Steel would reciprocate on this last job and give us a chance.

As far as the second Vancouver Elevator job is concerned, we must admit that we felt in the bag in agreeing to boost our prices. The results we have obtained is according to our merit.

On the other hand, we blame United Steel Corp. of not playing fair with us concerning the last job in Port Arthur.

. . .

We recommend that United Steel Corp. be officially informed that from now on, we shall be on our own as far as Grain Elevator Machinery is concerned. They must know that we are far from satisfied with the way they have handled the past Grain Elevator Machinery transactions and we do not want to follow their set-up in the future."

(FOP-4-3, 4-3-2, 4-3-3,
Serials 1095-96-97)

The Director obtained further information from Forano by way of return and, where possible, secured information as to tenders received in the instances specified from the party who called for the tender or quotation in each case. The information obtained in this way which related to quotations submitted by Jeffrey, United Steel and Stephens-Adamson was checked with these companies and, subject to some minor qualifications by Stephens-Adamson, was confirmed by them. The instances may be considered by order of date.

September, 1950, The James MacLaren Company Limited

(a) Information in Forano correspondence

	Tender	Revised Quotation
Forano (Normal price)	\$ 12,859.25	\$18,839.25
Jeffrey	18,700.00	

(b) Information in Forano return

Forano - initial quotation - Sept. 22, 1950 -	\$12,859.25
- revised quotation - Oct. 6, 1950 -	18,859.25
- addition for erection - Oct. 17, 1950 -	3,500.00

(c) Information furnished by The James MacLaren Company Limited

	Tender	Revision	Addition for Erection
Forano - No. 32			
Conveyor	\$10,714.25	\$14,714.25	
Plows	2,145.00	4,145.00	
	<u>\$12,859.25</u>	<u>\$18,859.25</u>	\$3,500.00
Jeffrey - No. 32			
Conveyor	\$13,725.00		
Plows	3,500.00		
Erection	3,400.00		
	<u>\$20,625.00</u>		

The James MacLaren Company Limited stated that the contract was awarded to United Steel for \$19,976.61, complete and erected.

Except for a variation in one numeral the figures given in Forano's letter of February 21, 1951, agree with the first two bids submitted but no mention was made of the addition for erection. However, there appears to be no relation between Jeffrey's actual bid and the amount of \$18,700.00 mentioned in the letter. An important fact, of course, is that the contract was awarded to United Steel at a lower figure than the actual Jeffrey tender.

January, 1951 - The James MacLaren Company Limited

(a) Information in Forano correspondence

	Tender	Revision
Forano	\$32,622.00	\$39,511.00
Jeffrey	36,300.00	

(b) Information in Forano return

Forano - initial tender - Jan. 10, 1951 - \$14,161.00
- revised quotation - Jan. 22, 1951 - 21,060.00

The following note was made in the Forano return:

"N. B. The difference between the price of \$32,622.00 and \$39,511.00 as mentioned in my letter of February 21, 1951, and the amounts of \$14,161.00 and \$21,060.00 previously mentioned in paragraphs b and c, seem to arise from the cost of the steel frame and erection, which we have not quoted, although Jeffrey Mfg. had included these items in their price to the customer."

(Translation)

(c) Information furnished by The James MacLaren Lumber Company Limited

	Tender	Revision
Forano	\$14,161.00	\$21,060.00
Jeffrey -	Conveyor	\$36,300.00
	Erection	7,175.00
		<u>\$43,475.00</u>

The James MacLaren Company Limited stated that the contract in this case was awarded to Link-Belt for \$40,223.00 complete and erected.

In this case the Forano letter of February 21, 1951, correctly states the amount of the Jeffrey tender, not including erection but the amount given for the Forano tender had included items which were not included in the quotation actually made. At the same time the extent to which the tender was shown as having been increased was almost exactly the amount by which it was actually increased.

Mr. E. N. Bigney, Vice-President in charge of sales in the Jeffrey company, said in evidence that Jeffrey had supplied equipment to the MacLaren plant when it was originally set up and had continued to supply much of the plant requirements in succeeding years. In 1950, when a large expansion programme was undertaken, Jeffrey had to reduce its quotation for a major part of the conveying

equipment by about 25% in order to hold the business against a competitor who had quoted an even lower price. Mr. Bigney said that at the next meeting of the Institute he had referred to this job and had expressed himself strongly against companies who would behave in this fashion. In regard to Forano, Mr. Bigney said:

"I assume from that remark which I made at the meeting, telling those people in effect that I thought they were all a bunch of So and So's, I think Hebert and possibly Mr. Forand-- they are both the perfect gentleman types--I think from then on they leaned over backward to try and not quote this particular customer prices that were below ours. They were just trying to stay out of the business. I do not agree with the statements in that letter. There were no agreements of any kind along those lines. The Jeffrey Company has never asked any competitor to protect any prices."

(Evidence, pp. 471-72)

October, 1950 - Port Arthur Hospital

The Director was unable to obtain information about this project.

October, 1950 - H. M. C. S. Shearwater, Dartmouth, N. S.

The Forano letter of November 13, 1952, quoted above, includes the following in the reference to this job:

"A selling price had been figured by our Montreal Office at an approximate figure of \$68,000. It must be said that this price of \$68,000 had not been figured according to the Association price set-up. United Steel Corp. requested that we protected [sic] their quotation in the amount of \$80,997 and we have agreed then to quote a price of \$82,340 for the job. The job went to United Steel Corp. at their price."

(FOP-4-3, Serial 1095)

The Statement of Evidence presents the following information obtained from the files of Defence Construction (1951) Limited:

"Tenders closed on October 7, 1950 and prior to that date the following tenders had been received:

United Steel	\$80,997.00
Forano	82,340.00
Stephens-Adamson	88,933.50
Combustion Engineering Corporation Limited	104,459.00

On February 6, 1951 the tender of United Steel was accepted. On February 23, 1951 United Steel wrote pointing out that four months had elapsed between the date tenders had been called and the date of acceptance, that prices had advanced in the interim and that the original quotation had omitted sales tax in error. There was certain further correspondence with United Steel and that company submitted a revised tender of \$102,698.00. Defence Construction then wrote Forano asking if that company would undertake the job for the firm price of \$82,340.00. Forano replied that it would be necessary to re-examine the diagrams, etc. Forano then quoted \$103,986.00 verbally and confirmed this by letter. The revised tender of \$102,698.00 by United Steel was then accepted."

The following correspondence from the files of Forano with respect to the revision of Forano's tender is cited in the Statement of Evidence:

"Teletype message from Mr. Lalonde to Mr. Hebert 4:18
April 4, 1951:

'BELOW YOU WILL FIND A DETAILED STATEMENT
OF THE ITEMS INVOLVED FOR THE SHEARWATER
JOB AND BASED ON OUR ORIGINAL FIGURES
TOTTALLING TO \$60803.06 TAX EXTRA AT 8
PERCENT FOB DESTINATION AT DARTMOUTH NS.

OUR DETAILED SPECIFICATION SHEETS WILL BE
MAILED TO YOU TONIGHT AND WILL GIVE YOU
AN IDEA OF THE PRICES ON EACH ITEM WHICH
WERE WORKED OUT AT THAT TIME.

YOU WILL ALSO RECALL THAT UNITED STEEL
CORP QUOTED \$80997.00, WE QUOTED 82340.00
AND S-A QUOTED \$88933.50 AS ARRANGED.

1 -	TRACK HOPPER AND FITTINGS	\$2097.40
2 -	YARD HOPPER AND FITTINGS	\$ 854.15
3 -	30" WIDE APRON CONVEYOR AND DRIVE	\$5145.82
4 -	COAL CRUSHER AND DRIVE	\$4413.85
5 -	GRAVITY-DISCHARGE ELEVATOR- CONVEYOR	\$8767.17
6 -	GRAVITY-DISCHARGE ELEVATOR- CONVEYOR	\$8810.87
7 -	THREE DUSTPROOF AND SIFT- PROOF RACK & PINION GATES 18" x 18"	\$ 783.00
8 -	THREE DUSTPROOF AND SIFTPROOF RACK & PINION GATES 20" x 20"	\$ 856.00
9 -	THREE TRANSFER CHUTES	\$ 400.00

10 -	THREE DAY-BIN BOTTOMS	\$4110.00
11 -	THREE COAL SCALES AND ACCESSORIES	\$10078.05
12 -	MISCELLANEOUS EQUIPMENT	\$2985.95
13 -	LABOUR AND SUPERVISION OF THE ERECTION OF ALL THE EQUIPMENT SUPPLIED	\$11500.00

TOTAL PRICE \$60803.06 FEDERAL SALES TAX
EXTRA FOB DESTINATION.

PLEASE NOTE THAT THIS CONTRACT WOULD ENABLE
US TO OBTAIN A LOT OF STEEL AS THERE WILL BE
A HIGH PRIORITY.

THE PRICE OF THE CRUSHER AND EXTENDED BASE-
PLATE TODAY HAS GONE UP BY ONLY \$140.00.
TODAY'S PRICE ON THE THREE SCALES IS \$8500.00
INSTEAD OF \$6705.00 PAYABLE IN US FUNDS. THE
RICHARDSON NON-SEGREGATING MONORATE COAL
DISTRIBUTORS SELL TODAY FOR \$1575.00 LOT INSTEAD
OF \$1152.00 LOT PAYABLE IN AMERICAN FUNDS.

ON THE STEEL WE QUOTED 23-1/2 CENTS PER POUND
AT OUR TOTAL PRICE OF \$60803.06. ON HEAVY
BEAMS WE QUOTED .20 CENTS PER POUND.

WHEN WE FIGURED THIS PRICE OF \$60803.06 WE
MADE SURE AT THE TIME THAT WE WERE WELL
COVERED BECAUSE WE HAD EXPERIENCED LOW
PRICES ON THE ONTARIO HOSPITAL OF SMITHS FALLS,
AND IN ADDITION YOU WILL RECALL THAT WE JACKED
OUR PRICE TO \$82340.00 SO THAT UNITED STEEL
WOULD GET THIS ORDER. NOW DO NOT MENTION
ANYTHING TO OUR COMPETITORS OTHERWISE THIS
WILL CAUSE THE LOSS OF THIS ORDER.

I DO NOT KNOW IF THIS CUSTOMER WILL ACCEPT A
HIGHER PRICE. OVER THE PHONE MR WILSON TOLD
ME TO RETURN TO HIM OUR DEPOSIT OF \$8234.00
AND UPON THE RECEIPT OF THIS CHEQUE, THE
ORDER WILL BE SENT TO US. IT MAY BE POSSIBLE
THAT WE COULD RAISE OUR PRICE SUCH AS TO
MAKE IT BELOW THE PRICE THAT S-A QUOTED, I.E.,
\$88933.50. OTHERWISE I AM SURE THAT YOU CAN
KISS THE ORDER GOODBYE. S-A WILL CERTAINLY BE
PREPARED TO TAKE THIS ORDER AT THAT FIGURE.

I WILL REVISE ALL THE PRICES TO SEE WHAT THE
PRICE COMES TO TODAY BASED ON THE ASSOCIATION
AND WILL ADVISE YOU. IN THE MEANTIME YOU CAN

HELP ME IN CHECKING THE PRICES ON THE SPECIFICATION SHEETS WHICH I WILL SEND YOU TONIGHT. YOU WILL RECEIVE THEM IN THE AFTER-NOON ONLY TOMORROW.

PLEASE MAKE SURE NOT A WORD IS SAID TO OUR COMPETITORS. WILSON TOLD ME THAT AT THE PRICE OF \$82340.00 WE HAVE THE ORDER. IF WE RAISE TO SLIGHTLY BELOW S-A'S PRICE, THEY MIGHT SEND TENDERS TO JEFFREY, L-B, ETC.

THIS JOB IS CERTAINLY PROFITABLE'

(Serial 655)

Teletype message from Mr. Lalonde to Mr. Hebert 9:45 April 5, 1951:

'WE WORKED UNTIL 12.00 PM TO FIGURE TODAY'S PRICES ON THE COAL HANDLING EQUIPMENT JOB FOR ABOVE CUSTOMER.

THE PRICES TODAY ARE AS FOLLOWS;

1 -	TRACK HOPPER AND FITTINGS	\$30.77.50
2 -	YARD HOPPER AND FITTINGS	\$14.02.09
3 -	30" WIDE APRON CONVEYOR AND DRIVE	\$6740.73
4 -	COAL CRUSHER AND DRIVE	\$4937.11
5 -	GRAVITY-DISCHARGE ELEVATOR-CONVEYOR	\$11949.55
6 -	GRAVITY-DISCHARGE ELEVATOR-CONVEYOR	\$11924.01
7 -	THREE DUSTPROOF AND SIFTPROOF RACK & PINION GATES 18" x 18"	\$1435.50
8 -	THREE DUSTPROOF AND SIFTPROOF RACK & PINION GATES 20" x 20"	\$1570.80
9 -	THREE TRANSFER CHUTES	\$975.00
10 -	THREE DAY-BIN BOTTOMS	\$5926.20
11 -	THREE COAL SCALES AND ACCESSORIES	\$12986.66
12 -	MISCELLANEOUS EQUIPMENT	\$3841.68
13 -	LABOUR AND SUPERVISION OF THE ERECTION OF ALL THE EQUIPMENT SUPPLIED	\$13465.70

TOTAL PRICE.....\$80232.53 FED TAX
EXTRA FOB DARTMOUTH NS.

I DO NOT REMEMBER IF OUR PRICE OF

\$82340.00 ALREADY QUOTED TO THIS CUSTOMER INCLUDED THE FED TAX OR NOT. DO YOU HAVE A RECORD ON THAT? IF THE TAX IS APPLICABLE, THEN IT WILL ONLY BE CHARGED ON THE MATERIAL AND NOT ON THE ERECTION CHARGE. THIS TAX WILL THEREFORE BE \$5341.35, MAKING A TOTAL PRICE OF \$85573.88 LOT TAX INCLUDED FOB DESTINATION.

THE ABOVE PRICES ARE ACCORDING TO ASSOCIATION SET-UP ENTIRELY. THE TOTAL WEIGHT OF THE EQUIPMENT IS 134657 LBS OR 67-1/3 TONS. WE ADDED 20 PERCENT PROFIT ON THE COST OF THE COAL CRUSHER AND THE THREE SCALES INCLUDING ITS ACCESSORIES ALTHOUGH THE SUPPLIERS ARE ONLY GIVING US 10 PERCENT DISCOUNT FOR RESALE. WE HAVE ALSO QUOTED EXCEEDINGLY HIGH PRICES ON THE DUSTPROOF AND SIFTPROOF RACK & PINION GATES AND YOU CAN DETERMINE THIS PRICE AT PLESSISVILLE AND COMPARE IT WITH THE PRICES SHOWN ABOVE. THE STEEL IS CONSIDERABLY HIGH, IN SOME CASES 57 CENTS PER POUND, ACCORDING TO ASSOCIATION SET-UP WHICH IS RIDICULOUS BECAUSE WE CAN BUY THIS MATERIAL FROM THE STRUCTURAL STEEL FIRMS AT PRICES BETWEEN 20 AND 30 CENTS MAXIMUM. WE HAVE BEEN VERY GENEROUS ON THE STEEL WEIGHT AND WE ARE OVER THE ACTUAL WEIGHT; THE ERECTION CHARGE IS ACCORDING TO ASSOCIATION SET-UP, I.E., \$200.00 PER TON OF 2000 LBS.

WE WILL MAIL YOU TODAY OUR ESTIMATE SHEETS. THE PRICES IN BLACK PENCIL ARE THE ORIGINAL PRICES AND THE PRICES IN RED PENCIL ARE TODAY'S PRICES.

WE WILL HAVE TO ACT FAST ON THIS BECAUSE MR WILSON OF ABOVE COMPANY MUST PLACE THIS BUSINESS WITHOUT ANY FURTHER UNDUE DELAY SO PLEASE SEE THAT THIS QUOTATION IS CHECKED AT ONCE SO THAT WE CAN MAIL IT WITH OUR CHEQUE FOR THE AMOUNT OF 10 PERCENT.'

(Serial 656)

Teletype message from Mr. Lalonde to Mr. Hebert 9:33
April 5 or 6, 1951 (the date is not clear):

'WE ARE IN RECEIPT OF THE FOLLOWING
LETTER FROM THE ABOVE CUSTOMER

RE: COAL HANDLING EQUIPMENT - HMCS
SHEARWATER - HEATING PLANT

DEAR SIR:

THIS WILL CONFIRM OUR CONVERSATION OF THIS
AFTERNOON IN WHICH WE ASKED IF YOUR FIRM
WOULD BE WILLING TO UNDERTAKE THE SUPPLY
AND INSTALLATION OF THE COAL HANDLING
EQUIPMENT FOR THE HMCS SHEARWATER FOR
THE FIRM PRICE OF \$82340.00 WHICH YOU
QUOTED IN YOUR TENDER TO CANADIAN
COMMERCIAL CORPORATION OF OCTOBER 3RD
LAST.

YOU ADVISE THAT IN YOUR OPINION YOU WOULD
BE WILLING TO PROCEED WITH THIS WORK BUT
REQUESTED THE OPPORTUNITY OF CHECKING
YOUR PRICE. WE WOULD VERY MUCH APPRECIATE
YOUR ADVICE AT YOUR EARLIEST OPPORTUNITY
AND IF YOU ARE WILLING TO PROCEED AT THE
QUOTED PRICE, THE RESUBMISSION OF A
SECURITY DEPOSIT IN THE FORM OF A CERTIFIED
CHEQUE OR DOMINION OF CANADA BOND TO THE
VALUE OF \$8230.00

YOURS VERY TRULY

A D WILSON
ASSISTANT TO THE PRESIDENT

UNQUOTE - MR A D WILSON TOLD ME TO GET
THE DWGS AND SPECIFICATION SHEETS FROM THE
CONSULTING ENGINEERS, RANKIN & CO. I
THEREFORE ASKED MR BOULT TO PICK UP
THESE DOCUMENTS AND HE WAS TOLD BY A
MEMBER OF THESE CONSULTING ENGINEERS THAT
UNITED STEEL CORP'S QUOTATION WAS EFFECTIVE
UP TO A CERTAIN DATE AND THEY RECEIVED
THE ORDER FROM THE GOVERNMENT AFTER
THAT DATE. THEY THEREFORE THOUGHT THAT
THEY COULD OBTAIN AN INCREASE IN PRICE TO
MAKE MORE MONEY BUT THIS IS WHY THEY
LOST THIS ORDER. NOW PERHAPS THEIR
INCREASE BROUGHT THE PRICE HIGHER THAN
OURS OF \$82340.00 AND THIS IS WHY THE
GOVERNMENT WANTS TO GIVE US THE ORDER AT

THAT PRICE. IF WE INCREASE OVER THE PRICE THAT UNITED STEEL WANTED TO HAVE, THEN THE GOVERNMENT MIGHT GIVE THE ORDER TO UNITED STEEL AGAIN.

THROUGH MY CONVERSATION WITH MR WILSON, I TOLD HIM THAT THE PRICE OF THE CRUSHER AND THE THREE SCALES WOULD BE HIGHER AND HE ALSO THOUGHT THAT WOULD BE THE CASE. THIS INCREASE REPRESENTS ABOUT \$2500.00. WE COULD INCREASE OUR PRICE BY THAT AMOUNT I THINK AND STILL GET THIS ORDER.

MR GOSSELIN WAS TELLING ME YESTERDAY THAT PRIORITIES WOULD HELP HIM TO OBTAIN STEEL AND OTHER THINGS. YOU KNOW THAT THIS ORDER WILL CARRY HIGH PRIORITY. WE SHOULD BEAR THIS IN MIND. NOW RANKIN ASKED MR BOULT YESTERDAY WHY WE COULD NOT GIVE OUR ANSWER NOW ON THE MATTER. WE TOLD HIM THAT WE HAD TO RECHECK THE PRICES. HE LET US KNOW THAT IT SHOULD NOT TAKE THAT LONG TO REVIEW OUR PRICES, SO PLEASE RUSH THIS MATTER ALL POSSIBLE IF WE ARE WILLING TO TAKE THIS ORDER.

ALSO LET ME KNOW AT ONCE IF THIS SET PRICE OF \$82340.00 INCLUDED THE TAX OR NOT? I HAVE NO RECORD OF THIS HERE'

(Serial 657)

Letter from Mr. Lalonde to Mr. Hebert dated April 5, 1951:

'Following our telephone conversation of April 4th, and our teletypes of April 4th, and 5th, you will now find attached our specification and estimating sheets showing the general dimensions of the materials required and separate detailed prices on each item.

The prices in black pencil shown on attached estimating sheets are the original prices which we were to submit to the Government which amounted to a total of \$60,803.06, Federal Sales Tax extra, F.O.B. destination.

The prices shown in red pencil on attached estimating sheets are today's prices based on Association set-up, which total to \$80,408.49, Federal Sales Tax extra, F.O.B. destination.

As mentioned to you in our teletype of April 5th. we do not remember whether our price of \$82,340.00 submitted to the Government included the Federal Tax or not. If this price included the Federal Tax, then today's price based on the Association set-up would be \$85,763.91, Federal Tax included, F. O. B. destination. As you know, the Federal Sales Tax is not applicable on the erection charge amounting to \$13,465.70.

Below you will find a summary of the prices arriving at the above figure:-

(1) - Track Hopper and Fittings	\$3,252.50
(2) - Yard Hopper and Fittings	\$1,402.09
(3) - 30" wide Apron Conveyor and Drive	\$6,740.73
(4) - Coal Crusher and Drive	\$4,937.11
(5) - Gravity-Discharge Elevator-Conveyor	\$11,950.03
(6) - Gravity-Discharge Elevator-Conveyor	\$11,924.49
(7) - Three Dustproof and Siftproof Rack and Pinion Gates 18" x 18"	\$1,435.50
(8) - Three Dustproof and Siftproof Rack and Pinion Gates 20" x 20"	\$1,570.80
(9) - Three Transfer Chutes	\$ 975.00
(10) - Three Day-Bin Bottoms	\$5,926.20
(11) - Three Coal Scales and Accessories	\$12,986.66
(12) - Miscellaneous Equipment	\$3,841.68
(13) - Labour and Supervision of the Erection of all the Equipment supplied	\$13,465.70
TOTAL PRICE	\$80,408.49
Federal Sales Tax Extra, F. O. B. Dartmouth	
- or -	
	\$85,763.91
Federal Sales Tax included, F. O. B. Dartmouth	

The total weight of all materials involved is 134,657 pounds, which we figure is over the actual weight of the material. This represents a pound price of 50¢, Federal Sales Tax extra.

The detailed specifications and drawings which we had received from the Government have already been returned to them but we have asked for another set which we hope to receive to enable you to recheck our specifications throughout.

As previously mentioned to you, we have figured the prices of the Crusher and the three Coal Scales including the accessories on the basis of keeping a profit of 20% on our cost price, whereas, we are only entitled to 10% resale discount on the selling price.

This order, as you know, would help us considerably in obtaining steel as there will be a high priority, being required for the Naval Base at Dartmouth, Nova Scotia.

You will also notice that our prices on the dustproof and siftproof rack and pinion gates are high and we believe that these could be manufactured at Plessisville at a much lower price.

You will also notice that there is no engineering charge added to the above figures because on such a large contract usually nobody adds these charges but to give you an idea of the extra cost involved to cover the engineering charges applying to all the equipment with the exception of the coal scales and accessories on which this charge is not applicable, this extra cost would amount to \$8,592.73 and this amount does not include the 8% Federal Sales Tax which we think should not be applied on engineering charges. In adding this engineering charge, the total price would then be \$89,001.22, Federal Sales Tax extra or \$94,356.64, tax included.

In order to obtain this order, the writer feels that we should quote slightly below Stephens-Adamson's price amounting to \$88,933.50. (I do not know whether this latter price includes the Federal Tax or not), otherwise, I am almost sure that the Government will ask for new tenders which will go to Link-Belt and Jeffrey who have not submitted any price on this job.

My suggestion is that we advise the Government that since last October there is a general increase of 10% on all the products but that we would be satisfied in entering this order at an additional 5% over and above our submitted price of \$82,340.00, which would bring it to \$86,457.00.

We must have quick action on this matter, otherwise the Government might decide to forward new tenders to our competitors.'

(Serials 658-59)

Teletype message from Mr. Lalonde to Mr. Hebert 11:11, April 10, 1951:

'I PHONED MR WILSON YESTERDAY TO QUOTE HIM OUR PRICE OF \$103986.00 TAX INCLUDED FOB DESTINATION. HE TOLD ME THAT OUR PRICE WAS TOO HIGH AND REQUESTED ME TO SEND MY WRITTEN QUOTATION BUT THAT IT WAS NOT NECESSARY FOR US TO MAIL OUR CHECK FOR THE AMOUNT OF 10 PERCENT.

IT SEEMS AS THOUGH UNITED STEEL WILL NOT GET THIS CONTRACT BECAUSE THE CONTRACT WAS CANCELLED ON THEM. NOW THAT OUR PRICE IS HIGHER THAN DODGE, THEY WILL CONTACT S-A AND IF THIS

LATTER COMPANY RAISE THEIR PRICE, THEN THEY WILL CONTACT COMBUSTION ENGINEERING. IF COMBUSTION ENGINEERING DOES NOT RAISE THEIR PRICE, THEY WILL GET THIS ORDER.

IF THEY DO RAISE THEIR PRICE, THEN THEY WILL ASK FOR COMPLETELY NEW TENDERERS. IF NEW TENDERS ARE CALLED FOR, THEN DODGE WILL HAVE THE CHANCE OF SUBMITTING THEIR PROPOSAL. BUT IF NO NEW TENDERS ARE CALLED FOR, THEN DODGE CANNOT GET THIS CONTRACT. I WILL MAIL MY QUOTATION TODAY TO ABOVE CONCERN'

(Serial 660)"

During the proceedings before the Commission exhibits were filed on behalf of United Steel to show that the company in completing the Shearwater job did not make a profit on the contract. Following the hearings certain supplementary information as to the costs as shown in these exhibits was submitted on behalf of United Steel.

The Commission does not consider that the circumstance whether a particular contract turned out to be profitable or not is relevant to the issue of the exchange of information between competitors which is alleged to result in a tender at an agreed price being submitted. Costs are not uniform among firms in the same line of business and bids are submitted in the expectation that it will be of advantage to the bidder to secure the contract at the price quoted. In all lines of business there are occasions when, for one reason or another, such expectations are not realized.

As indicated above, the Shearwater job was awarded to United Steel at a price of \$102,698.00. This included the sales tax then applicable on the portion of the contract other than erection. The revised price was \$80,831.48 for equipment and \$15,400.00 for erection. During the course of the contract additional equipment was installed and the price finally charged was as follows:

Quoted	\$80,831.48
Extras	3,392.13
Erection	15,400.00
	<u>\$99,623.61</u>

(Based on Exhibit H-2)

The cost of completing the contract was computed in the exhibits presented on behalf of United Steel at \$104,411.98. Part of the materials was prepared in the Mead Morrison Division of United Steel and then transferred to the Dodge Division which undertook the

contract. The breakdown of the cost figures as between the two divisions was given as follows:

Cost of Shearwater Job - United Steel

	<u>Dodge</u>	<u>Division</u>	<u>Mead Morrison</u>	<u>Total</u>
	<u>Plant</u>	<u>Erection</u>	<u>Division</u>	
Material	30,530.05	7,602.87	8,745.15	46,878.07
Labour	995.94	6,967.13	5,911.18	13,874.25
Factory Overhead	<u>2,080.52</u>	<u>14,554.33</u>	<u>10,947.84</u>	<u>27,582.69</u>
Total	33,606.51	29,124.33	25,604.17	88,335.01
Selling and Administration Overhead 18.2%	<u>6,116.38</u>	<u>5,300.63</u>	<u>4,659.96</u>	<u>16,076.97</u>
	39,722.89	34,424.96	30,264.13	104,411.98

The amount of \$10,947.84 shown in the above table as factory overhead for the Mead Morrison Division was stated to be the amount billed the Dodge Division in excess of actual material and labour costs as shown in the records of the Mead Morrison Division. In the case of the Dodge Division factory overhead was based on the relationship of total factory expenses to total direct labour for the period the contract was in progress. Selling and administrative overhead was based on the relationship of selling and administrative expenses to total cost of sales for the same period. The practice of the company in allocating overhead charges was stated as follows:

"Overhead is always charged at a fixed percentage against all work whether done at the plant or at site, because in either case the work requires plant supervision and the use of other plant facilities. This type of work requires a great deal of engineering ability as has been pointed up repeatedly in evidence, and the physical location of the work being done in no way reduces the general plant overhead."

No explanation was given as to the reason for using direct labour as the basis for pro-rating factory overhead particularly with respect to operations carried on away from the plant. In the latter case the actual expenses of supervisory personnel at the site of the contract and the amount of time spent in direct supervision could be readily computed.

It will be noted that on the basis of the allocation of costs shown above, the principal factor resulting in total cost exceeding the contract price is the amount of overhead charged to erection. Even if total overhead charges are reduced by the difference between the total cost as shown and the contract price, very substantial contributions to factory overhead and to selling and administrative overhead of the company remain on the basis of costing employed.

January, 1951 - Canadian Johns-Manville Company Limited

(a) Information in Forano correspondence

Forano - final price approximately \$24,000.00

United Steel - awarded order at approximate price
of \$27,000.00

(b) Information in Forano return

Forano quotation \$20,872.00, including transportation to Danville and erection but excluding sales tax

(c) Information furnished by the Canadian Johns-Manville Company Limited.

The Statement of Evidence sets out the following information:

"The Canadian Johns-Manville Company Limited advised that, while other firms may have been invited to quote, only two formal tenders have been retained on file:

United Steel	\$18,490.00
Jeffrey	19,054.00

The following further information was supplied by the Canadian Johns-Manville Company Limited:

"... after the original request for tenders was issued, several revisions were made in the plans for the conveyor. The overall length was reduced, and the decision was made that certain pieces of United Steel conveyor equipment already owned by Canadian Johns-Manville Company, Limited could be incorporated into the installation. This equipment had been purchased previously for other uses. With these changes, the total equipment to be purchased was reduced.

The value of the equipment that was finally

purchased from United Steel Corp. amounted to \$15,677.00 divided into two purchase orders, one of \$11,752.00 and the other in the amount of \$3,925.00.

The \$27,000 figure quoted in your letter might have been one of the early requests for quotation before the specifications were revised and the order finally placed. "

February, 1951 - Grain Elevator, Vancouver

(a) Information in Forano correspondence

Forano - selling price on basis of normal procedure -	\$32,000
- price quoted -	42,000

Order went to United Steel

(b) Information furnished by Commonwealth Construction Company Limited

The following details are given in the Statement of Evidence:

"Information supplied by Commonwealth Construction Company Limited is that three firms were invited to tender and did tender as follows:

United Steel	\$41,483.00
Stephens-Adamson	42,152.75
Forano	42,530.00"

August, 1952 - Grain Elevator, Vancouver

(a) Information given in Forano correspondence

Forano - estimated selling price -	\$ 81,000
- price (suggested by United Steel)	104,000
United Steel -	105,793
Stephens-Adamson -	106,976
Ross & Howard - approximately	85,000

(b) Information furnished by Commonwealth Construction

The following details are given in the Statement of Evidence:

"Information supplied by Commonwealth Construction Company Limited is that four firms were invited to tender and did tender as follows:

Ross & Howard Iron Works Ltd.	(a)	\$47,640.00
	(b)	36,820.00
		<u>\$84,460.00</u>
Forano	(a)	\$53,785.00
	(b)	48,494.00
		<u>\$102,279.00</u>
United Steel	(a)	\$54,268.00
	(b)	49,602.00
		<u>\$103,870.00</u>
Stephens-Adamson	(a)	\$54,793.00
	(b)	50,265.00
		<u>\$105,058.00"</u>

While the quotations given for Forano, United Steel and Stephens-Adamson in the Forano letter of November 13, 1952, are not identical with those given as the actual tenders, an inspection reveals that in each case the difference is somewhat less than 2%.

October, 1952 - Grain Elevator, Port Arthur

(a) Information in Forano correspondence

Price according to standard procedure
approximately - \$41,500

Price suggested by United Steel
slightly over - 57,000

Price quoted a reduction of approximately
4.75% from that suggested by United Steel

Order placed with United Steel at slightly
lower price

(b) Information furnished by Commonwealth Construction Company Limited

In the Statement of Evidence it is stated that the prices quoted by the various companies were per idler and a tabulation is given of the quantities and unit prices

quoted for various types of idlers. The total quotations for each company are given as follows:

Forano -	\$54,700.00
United Steel -	53,150.76
Stephens-Adamson	57,461.44

It will be noted that the quotation of Forano of \$54,700 is less than \$57,000 by the approximate extent of the reduction indicated in the company's letter of November 13, 1952. The quotation of United Steel was also somewhat less than that of Forano, as also indicated in the same letter.

3. General Comments on Preparation of Tender Quotations

There can be no question that in the various instances cited in the Forano correspondence the company officials believed that an understanding or agreement had been reached with one or more competitors as to the prices which would be quoted on the particular invitation to tender. It was denied on behalf of other parties concerned that any arrangements as to price had been made with Forano. It was represented on behalf of United Steel that any exchange of information with Forano may have been for the purpose of giving United Steel an advantage by encouraging Forano to place a high bid. It was also argued on behalf of United Steel that there is no evidence which can be relied upon to demonstrate that Forano would actually have tendered at the lower estimated prices which were cited in certain of the instances described in the preceding section. This argument relates to the effects of the practices followed by members of the Institute which will be considered in the next chapter.

CHAPTER VII

APPRAISAL OF THE EFFECTS OF PRACTICES FOLLOWED BY INSTITUTE MEMBERS

1. Circulation of Pricing Material

It was strongly argued on behalf of those members of the Institute represented before the Commission that the pricing material was used as a guide only and that each member proceeded independently in setting actual selling prices. It was not alleged by the Director that the pricing material governed the prices in all sales or that such pricing material resulted in identical total prices for complete units. The allegations in these respects, although set out at the beginning of this report may be repeated here and further considered. They are as follows:

- "(7) Prices as determined by the pricing material were followed as a matter of course on routine merchandise sales. The volume of such sales varied from member to member and it is impossible to determine what proportion of total sales such sales constituted.
- (8) Prices as determined by the pricing material were used as a guide in determining prices on non-routine sales and, while these prices were sometimes departed from, the evidence indicates that such prices were followed to a substantial degree.
- (9) Prices as determined by the pricing material were used in estimating the total price of a complete unit. The total price so arrived at was sometimes changed but again the evidence indicates that prices of complete units generally reflected the prices and pricing instructions as set out in the pricing material.
- (10) Because of differences in design and in calculation of weight and other factors, it is unusual for different firms to arrive at identical total prices for a complete unit even though both use identical prices for component parts and material.
- (11) The instructions in the pricing material dealing with the pricing of complete units was designed to produce uniformity in the method of pricing and not identical prices."

After considering the evidence and the argument made thereon the Commission is of the opinion that the foregoing allegations accord with the facts in this case. While the pricing material was prepared largely by one company, Link-Belt, there is no question of its acceptance by other members of the Institute and, with respect to certain classes of products, its distribution to companies in Western Canada called the Prairie manufacturers.

The Commission believes that the circulation and acceptance of the pricing material in the manner described earlier in this report have seriously curtailed competition among members of the Institute and with other companies who have made use of the prices and pricing procedures set out in such pricing material. The curtailment of competition through this practice has deprived the public of access to a market freely competitive and has led to conditions which have been disadvantageous to the public. The public is injured not only through the complete suppression of competition in a market, but as well by practices which, as in this case do not go that far, but do interfere substantially with the independent pricing on the part of competing firms.

Among the dangers to the public in pricing practices of this kind is the application of arbitrary pricing procedures which because of their general acceptance are not subject to the constant inter-play of market forces and thus are not readily adjusted to permit the public to benefit from lower prices when these would result from competitive changes. Also such practices prevent the individual firm taking advantage of its particular circumstances with respect to supply and demand and thus may deprive the customer of advantages which could be obtained if the pricing structure was entirely the matter of the individual firm and determined on a freely competitive basis. This danger is linked with another, of which the evidence gives some indication in this case, that the pricing material sent out for acceptance was intended to establish minimum prices and thus would operate to hold the general level of prices above the competitive level. Such a practice would have the effect not only of shutting off lower prices at any particular time, but would have a tendency toward the inclusion of arbitrary price increases in the price structure.

The following are instructions sent on August 28, 1950, by L. P. Hebert of Forano to a member of the company's staff:

"EFFECTIVE AUGUST 15 THE CONVEYOR AND POWER TRANSMISSION INSTITUTE OF CANADA HAS SUGGESTED A GENERAL INCREASE OF 10 PERCENT ON ALL THE MATERIAL COVERED BY THE COMPLETE UNIT PRICE BOOK.

NEW SHEETS OF REVISION WILL BE MAILED TO YOU TO-DAY OR TO-MORROW.

UNTIL SUCH TIME AS YOUR NO. 46T PRICE BOOK IS REVISED YOU ARE REQUESTED TO APPLY 10 PERCENT EXTRA ON ALL THE ITEMS LISTED.

REVISED DISCOUNT SHEETS WILL BE PREPARED AND FORWARDED TO YOU AS SOON AS WE POSSIBLY CAN.

ON QUOTATIONS, IN THE AMOUNT OF \$500. OR MORE, THAT WILL BE ISSUED BY YOUR OFFICE FROM NOW ON AN ESCALATOR CLAUSE SHOULD APPEAR, THE WORDING OF THIS CLAUSE TO BE IN GENERAL ACCORDANCE WITH WHAT HAS BEEN USED ON THE RECENT PRICE REVISION TO BROWN CORP. FOR THE FOUR FOOT LOG SORTING MACHINE.

PLEASE ADVISE YOUR STAFF ACCORDINGLY."

(2FOM-1-2, Serial 15128)

Reference to a price increase in the following year is made in an inter-office communication of Forano of November 22, 1951, as follows:

"A GENERAL INCREASE OF 10 PERCENT HAS BEEN MADE EFFECTIVE BY THE ASSOCIATION AS OF NOV 12/51. EXCEPT FOR SOME ITEMS LIKE COLLARS, BEARINGS WHICH SHOULD ALSO BE INCREASED WITHIN A VERY FEW DAYS. WE ARE WAITING FOR THE ASSOCIATION SHEETS. AS SOON AS WE HAVE ALL OF THEM WE WILL REVISE COMPLETELY OUR OWN 46-T BOOK."

(2FOP-13-2, Serial 5579)

It is not suggested that economic conditions in this period would not have led to increases in prices regardless of the practices followed by members of the Institute. Increases in prices made under competitive conditions are checked and regulated by the forces of the market, whereas increases in prices on the basis of understandings among competitors are the result of the judgment of parties on only one side of the market, namely the suppliers, acting on the basis of a common understanding. This is so, even if the judgment of the parties takes into account the pressures and expectations of the market. The result necessarily involves arbitrariness and the fact that a general action cannot take account of the individual circumstances of each supplier makes for inflexibility and the removal of those elements of adjustment which operate when each competitor is making his decisions as to price on an independent basis.

During the proceedings before the Commission two witnesses called by two parties named in the Statement of Evidence

gave evidence as to the manner in which quotations were prepared for a job on which both firms tendered in 1953. The two companies quoted on different materials and perhaps different quantities and the total amounts of their tenders differed considerably. However both witnesses indicated that the amounts included in the tenders for engineering charges had been calculated at the rates set out in the Institute pricing material, namely \$415 on the first \$2,000 and 12 1/2% on the balance. Because of the differences in values of materials the actual amounts included for engineering differed between the two companies, although the same scale of charges was employed. There is no reason to doubt that in the same way as it was the general practice to use the scale of engineering charges set out in the Institute pricing material so it was the general practice among Institute members to use other scales of rates or prices set out in the pricing material.

2. Level of Prices

One of the allegations made by the Director is "that prices as determined by the pricing material were high." The relative level of prices was not defined but the allegation may perhaps be read that the prices were higher than they would have been under more competitive conditions or that the prices in the Institute pricing material were higher for some products in more general industrial use than the prices available from alternative sources of supply. The evidence gives some support to both interpretations.

On November 2, 1950, G. A. Freeman of Stephens-Adamson, wrote to E. H. Walters of the same company in regard to a change in price policy in British Columbia and sent a copy of his letter to C. W. Rudge of Jeffrey. The letter was as follows:

"We decided some days ago to discontinue quoting lower prices in British Columbia than in the East, which we in some cases had thought was advisable.

We should have brought this to your attention before, but through oversight this was neglected. Accordingly, we wired you this morning as follows:

'EFFECTIVE IMMEDIATELY DO NOT QUOTE 10% ALLOWANCE WHICH WE SOMETIMES PERMITTED ON BRITISH COLUMBIA ENGINEERING JOBS WHERE THIS ALLOWANCE HAS BEEN MADE AND HAVING TO ABSORB SUBSTANTIALLY HIGHER FREIGHT THAN TO OTHER PARTS OF THE COUNTRY JOBS INVARIABLY SHOW LOSS OR IN SOME CASES POSSIBLY BREAK EVEN WRITING'

It will not be necessary to withdraw any quotations made prior to October 29th, but presumably we will be protected by our escalator clause. In any event, there are probably not many outstanding quotations which will develop into business on which this concession was made. In the future, however, we simply cannot allow this lower price.

Our reason originally for on some cases quoting the lower prices in British Columbia than in the East was there seemed to be a certain amount of competition from Europe, when the material could be laid down in Vancouver territory, shipping through the Canal zone by boat, at lower prices than we would arrive at by figuring Eastern prices plus overland freight.

On merchandise also evidently some material was coming in from the United States, especially from the Seattle district, where it developed that the duty was less than our transportation charges, especially where less than carload lots were involved,

The early part of the year there was such a shortage of work for our shop, however, that while we never considered these prices warranted we were in some cases willing to take orders on which we perhaps could cover our overhead but made no direct profit.

There has been some improvement in business, however, and during the last couple of months it doesn't look as though there has been price cutting to the same extent that there was early in the year, perhaps for the reason that most of our competitors seem to be busier.

The threat of competition from without Canada doesn't seem to be as real, because an analysis of most of the engineering jobs on the West Coast which we lost seems to indicate that they went to Canadian competitors in any event.

We know, too, that while some years ago there was competition from some British Columbia companies on some types of jobs and that their prices were generally low, this condition has to a great extent changed on account of increased labour costs in British Columbia.

Even on merchandise we do not believe that the threat of importation can be very serious, or if it still may exist to some extent will soon not exist at all, because most of the conveyor companies in the United States are extremely busy. They are limited in the amount of steel they can get, and this applies to components of carriers and so forth too, so we do not believe that the inclination to quote low prices for export will continue.

Under the circumstances, you will agree with us that it is ridiculous to quote prices in British Columbia which may net us, due to freight differentials, anywhere from 12 to 15% lower than we would net at the factory if this material is sold in the East.

If the next few months indicate that there is any considerable amount of business lost either to British Columbia companies or to foreign companies due to lower prices we may have to review the situation, but in the meantime, DO NOT MAKE ANY CONCESSION ON THIS TYPE OF ENGINEERING JOB."

(JEM-1-5, 1-5-2, 1-5-3,
Serials 2353-54-55)

This letter indicates that during a period of more active price competition lower prices were quoted in British Columbia. There is also the evidence of L. P. Hebert, cited in the previous chapter, that when it was anticipated that companies in other fields would quote on jobs involving considerable steel, the normal procedure would not be followed and lower prices than those set out in the pricing material would be used. Somewhat the same evidence in regard to outside competition was given by P. G. Welford of Link-Belt, a portion of whose testimony was as follows:

"Now, when you get into a long belt conveyor, we are getting some now that run into thousands of feet and there is a great similarity of steel, you might have long stretches of that steel that are absolutely identical. Now, that is not only attractive to a bridge company or a steel fabricator, it is of course also attractive to Link-Belt, but it is something that can be produced at a lot lower cost by Link-Belt too. So that we have no chance of selling a job like that. I mean if we put in a price of 35 cents a pound on a thing like that, the customer would just throw us out; it would be ridiculous."

(Evidence, p. 852)

At a later point in his evidence Mr. Welford said that he had reference to steel that duplicates itself over long stretches. He went on:

"That doesn't always apply; there are some structures on large conveyors which still warrant that high price."

(Evidence, p. 854)

The influence of competition from firms outside the Institute is indicated in a number of documents among the exhibits referring to various quotations to the Ford Motor Company in 1952. In a letter of August 29, 1952, to his head office, E. H. Walters of

Stephens-Adamson gave the following summary of conversations he had had with representatives of other member companies:

" . . .

Recently we have had conversations with Mr. Birdsall of Link-Belt Ltd. and learned that they got a substantial order covering chain. Within the Association they and Jeffrey were the only ones to quote on this chain inquiry. Because of other competition, we understand they got together to quote a price substantially less than Association requirements and we learn that even with the prices they quoted, they had to reduce their figure at least 10% in order to obtain this business and keep it in Canada.

We also talked to Larry Cornell [Jeffrey] about this situation and he confirmed the above situation as well as mentioning further that they did not receive any of this business and that they quoted on sufficient inquiries to amount in dollar value to not far from a million dollars. Larry mentions that they believe it cost them well over \$2,000.00 to figure these various inquiries. Even though prices they figured on these inquiries were far below Association standard, they were high on these different jobs. Larry told me quite confidentially that some of the prices they put in on these different jobs, he got to thinking afterwards and he was actually scared if they received an order for one or two that might be substantial that they would lose money.

. . . "

(TSA-3-1, Serial 9646)

In the Statement of Evidence the Director of Investigation and Research stated:

"(16) The evidence indicates that at the date of the inquiry various factors, the chief of which appears to have been the entry of United States firms into the Canadian market, were increasing competition in the industry and tending to break down the control previously exercised by the members of the Institute."

Other examples from the evidence pointing in this direction are various letters of Strong-Scott commenting on the pricing practices of members of the Institute. On March 22, 1950, A. R. McPherson of Strong-Scott wrote to W. T. E. Smith of United Steel as follows:

"After further conversation with a couple of my friends, it has been agreed that we will have to accept your suggestions on Discount changes covering Chain, Sprockets, Malleable Buckets,

Ribbed Compression Couplings, Keyless Couplings, Malleable Grease Cups and Anti-Friction Idlers. Inasmuch as we buy all these items from you, we must assume that you have a better picture of costs and margins than we have; although some of the increases seem rather stiff.

Unfortunately, however, we cannot agree with your proposed price increases on Conveyor and Fittings; since this proposal would enable our customers to purchase in Minneapolis or Grand Forks, North Dakota, and truck up to most Manitoba and Saskatchewan points, at a price competitive with what we are prepared to offer f. o. b. Winnipeg. This very thing caused some customer dissatisfaction last year, when unfortunately American List Prices and Discount Sheets received some circulation in our territory and while we managed to settle the matter down at that time, we wish no re-occurrence of the problem. For your information, we are enclosing a few examples showing f. o. b. Winnipeg prices under the proposed revisions and showing the Minneapolis or Grand Forks price with the addition of Exchange at 10 1/2% and Duty at 25%. In nearly all cases there is sufficient spread to allow for trucking costs into this territory and in any event, we do not feel that it is good public relations for the Canadian Conveyor Manufacturers to place themselves into a position where they are taking such full advantage of the Tariff protection offered.

This outlook, which is concurred in by my friends, applies to all Conveyor items and while it is true that we do not normally sell Flighting by itself to Western customers, we feel that the old price basis should be adhered to in this case also, otherwise we would be at a disadvantage in that it would put an additional 'squeeze' on the margin between our cost of complete Conveyor and selling price wherever we found it necessary to purchase Flighting from Eastern sources.

... "

(VIE-3-7-1, 3-7-2,
Serials 15263-64)

The Statement of Evidence contains the following explanatory remarks in regard to this letter:

"Attached to this letter is a sheet (Serial 15266) setting out examples of what Winnipeg prices would be under the proposed revision and comparing these with the laid-down costs of the same articles imported from the United States.

It appears that the proposed increases in the price of screw conveyor items (which were what Mr. McPherson was writing about) were not put into effect at this time. The list

prices which he gives are exactly as set out in the Institute LP sheets but the discounts shown on the applicable P-1600 sheets and on the PB sheets are higher than those used by Mr. McPherson in his examples. It is not possible to check successive discounts and resulting net prices completely because, while the latest discount sheets are available, only random copies of earlier sheets are among the evidence but an examination of the sheets indicate that the discounts used by Mr. McPherson in his examples were not put into effect until the following year although there was an intermediate reduction in discounts (and corresponding increase in prices) in the interim."

Strong-Scott's criticism of the pricing practices of members of the Institute was apparently followed by independent action in the pricing of certain items of conveying equipment as is indicated in the following letter which A. R. McPherson of Strong-Scott wrote to a distributor on May 25, 1953:

"Last week I was down at the A. O. M. Convention in Minneapolis and in course of a conversation with Cliff, Rich, I mentioned the fact that the Canadian Market was getting to be very 'cut-throat' insofar as we were concerned. Specifically, I had reference to the Screw Conveyor pricing situation where we have run into a lot of cut-throat price competition over the past few months.

For many years, Conveyor prices in Canada have been pretty well dictated by Link-Belt and United Steel, together with a few of the other Eastern Canadian Manufacturers. For the past number of years, the Canadian pricing has been out of all proportion to reality and I complained bitterly on many occasions, pointing out to the Eastern Manufacturers that customers could buy Conveyor at consumer prices in the United States, complete with Trough, Fittings and anything else, pay the Duty, Exchange and whatever freight is involved and still lay down at any Canadian point cheaper than he can obtain it from a Canadian Supplier. I have been on record for some years as being opposed to these methods of pricing but it would seem that the other people interested did not feel there was much possibility of our markets being invaded by American Manufacturers.

For over a year now, we have been encountering competition from such Firms as Screw Conveyor Company of Hammond, Indiana and Continental Gin Company of Birmingham, Alabama. We do not know whether this competition was intentional, but as you will appreciate, we have a number of customers who operate both in Canada and the United States and it was becoming the common thing for them to check Canadian quotations with their American Offices, with the result that they were starting more

and more to purchase in the United States and do their own importation. This situation continued to get worse and worse and we lost a lot of good business which was of major importance to us, despite the fact that it possibly was not of too much interest to the larger Companies, such as United Steel and Link-Belt.

A couple of months ago, I advised some of our Eastern competitors, that in order to keep from looking foolish in the eyes of some of our Canadian customers, we were going to commence quoting on American Consumer prices, plus an amount sufficient to cover the Import Duty. We set up a complete new Price List, effective March 1st., and based on new American List prices which are now supposed to be net to the user.

We are still being undercut and just recently lost a \$26,000.00 job in Eastern Canada to Screw Conveyor Corporation of Hammond, Indiana, who under-priced us on the job by \$3,000.00. We cannot say for sure that Screw Conveyor took this job direct and cut the price, but it may be that they dealt through Sullivan Mill Equipment Limited in Toronto, who let the customer have part of their commission.

We are enclosing herewith Industrial Machinery Catalogue 300B, together with their Price List 352, applying to this Catalogue and would point out that all prices shown in the Price List are Net, to the User and less a 25% discount to their Distributors, who in turn allow 10% or 15% to so-called Dealers. We are enclosing two copies of our Discount Sheet showing discounts f.o.b. Winnipeg, Toronto or Calgary and also one copy of a convenient Net Price List giving Conveyor and Fitting prices f.o.b. Winnipeg, Toronto, and Calgary. You will note for the most part there is a 5% differential between Winnipeg and Calgary prices, which differential does not cover the freight to the West but does give us a little assistance in this regard.

My reason for writing you at this time is that I had a visit with John Andrews on Friday morning last and he was somewhat concerned at my reports of price-cutting in this field. Much to my surprise this morning, I received information that Northland Machinery were quoting Conveyor at considerably lower than our prices. I checked this again with Bill Meadows and with the customer, only to find that our customer had not been aware of our reduced pricing on invoices since March 1st and was comparing Bill's quotations with our 1952 Price List. This brought out the fact that Northland are actually quoting slightly higher prices for f.o.b. Fort William shipment than we are quoting f.o.b. Winnipeg.

After you have had an opportunity of examining the pricing material which I am enclosing, I would appreciate hearing your reaction or some suggestion as to what pricing you feel you might be willing to adopt. I might only add that your name shows as being qualified for a No. 3 discount and we will be happy to sell you any of the items listed at the No. 3 Discount, which will give you 25% off our established prices.

You will note that we use an addition only sufficient to cover Duty and not to take care of any freight or Exchange on importation."

(SSW-2-1, 2-1-2, 2-1-3,
Serials 15756-57-57A)

The relationship between prices in Institute pricing material and the prices of certain items which could be imported is also referred to in correspondence between officials of Jeffrey. On May 30, 1952, C. E. Cornell wrote as follows to E. N. Bigney, both of Jeffrey, in regard to a contract which was reported to have been secured by United Steel:

"As you know United Steel Corporation were successful in securing an order for the above company's two elevators. We contacted Ted Smith with a view to securing the Malleable buckets but was informed they had sufficient in stock for this project.

This does not surprise the writer and as a matter of fact we discussed this with Mr. C. W. Rudge along the line of our making an issue at the next meeting of going into the matter of prices on Malleable buckets and some of our steel class chain which is now being sold in Canada at probably 10 or 12 points higher than same can be imported. In the writer's opinion, we are just playing to our friends hands when we allow this situation to continue. For example, it places them in a very nice position to be able to import these buckets at 10% - 12% better than we can sell them with the result that purchases are being made in the States and not through the Group.

We have been checking ever since the prices have moved up to where they are and we have not received any Malleable bucket business from United Steel and the reason is quite obvious. Frankly, we would strongly recommend that the price set-up be gone into with a view to having a definite stand that the prices should come down to the cost of importing plus duty or just on the line of that. In the long run our company would be much further ahead.

We are passing this along for your information."

(JEM-5-1-2, Serial 2386)

As already indicated the evidence does not provide any specific measures of the level of prices as set out in Institute pricing material. In the opinion of the Commission the evidence does indicate that the effect of the pricing practices proceeding from Institute activities has been to deprive the public of the safeguard against arbitrary high prices and to expose customers to the disadvantage of having to pay prices higher than they could be expected to be under independent and competitive pricing by suppliers.

3. Effect of Pricing Practices on Complete Unit Jobs

It was strongly argued on behalf of those companies appearing before the Commission that the circulation and use of Institute pricing material did not limit in any significant way competition in pricing complete units. The main contentions appear to have been that material might be secured by different members from various sources at differing prices and that there would be variation arising from this cause even if a common pricing procedure were followed; that estimators in different companies would arrive at different quantities of material, that engineers would differ in their designs and that, finally, each company would make an independent appraisal as to the actual price to be quoted. These points were expressed in the following way in the brief submitted by United Steel:

" . . . The history of the preparation of the common pricing material is clear and shows that the intent was to bring some type of orderliness in pricing procedure to an otherwise chaotic industry. The standard method of pricing complete units was desirable and useful. Engineering design and price of material gave individuality to each company's final price. There was in respect to each complete unit job full competition because there was full individuality in pricing.

. . . [The pricing material] was a method by which a sort of basic complete unit price was arrived at. The members gave many considerations at that point before tendering a higher or a lower price and before deciding what to give up to get a chance at the job. However, almost all the material cited by the Director in his Statement of Evidence shows that on any given job, the so-called end price was always different from the price as it would be if it was a computation based solely on the common pricing material."

(Transcript, p. 11)

Later, in the course of his argument, counsel for United Steel stated:

" . . . There was ample scope in the various phases of

fixing a price for tendering for each one of the members to exercise his own individuality. He got his own individuality from his own engineering designs, etc. He got his individuality where he had to buy material through his ability to find sources of supply of satisfactory material at prices that would give him the best advantage and give him the best quality of merchandise to enter into that job. So much had to be acquired from the outside that there was an excellent check on this agreement.

So far as engineering charges are concerned, in my submission they in no way can create a detriment to the public by fixing a common price."

(Transcript, p. 582)

With respect to the scale of engineering charges contained in the Institute pricing material counsel had submitted:

"It did not in the end result have the effect of fixing any price, fixing any common price for any product to which it was added, because it was a percentage, and being a percentage it had to be calculated on some base and the base was the cost of the material. Depending on the individuality of the engineer and the plans and designs and quantities that he calculated and which were required of different materials, the cost of the materials was a variable factor."

(Transcript, pp. 564-65)

Another argument made was that engineering charges were charges for engineering services and were distinct from the sale of a commodity. While it may be that the concept of a separate scale of engineering charges had its origin in the condition that many jobs required a good deal of engineering work in the design of an calculations for an appropriate system, the record makes clear that such charges formed a part of the price charged the customer in the sale of a complete unit job. There was no sale of engineering services as such and, in fact, that part of the total price which resulted from the application of the scale of engineering charges was not disclosed to the customer although in the case of charges for erection, these were usually separately specified. The comment in one Forano document relating to the H. M. C. S. Shearwater job may also be recalled that on large contracts "nobody adds these charges", although presumably the degree of engineering would be a significant factor in major undertakings.

In the opinion of the Commission the fact that there might be a variation in total price among members of the Institute because of differences in design or differences in calculating quantities and types of materials is not the full measure of the competition to be

expected in an open market. The practice followed by members of the Institute in the circulation and use of pricing material removed, in large measure, the independent pricing of components and thus has deprived the public of the opportunity of buying on a fully competitive basis from the companies engaging in the practice. The possibility that such components grouped in a differing way could be purchased at a different price because of differences in quantities does not afford a compensating alternative.

The emphasis which has been evident in Link-Belt's efforts to maintain circulation of pricing material on the avoidance of a "price war", the use of Institute meetings and other occasions for the purpose of counteracting any tendency toward "price cutting" show unmistakably that the activities of the Institute have been directed toward limiting or preventing price competition among members. It would be impossible to discuss "price cutting" in any real way unless there was a recognized standard below which prices were reduced.

The Commission is satisfied that there have been discussions among members of the Institute in regard to the prices which would be quoted on jobs and in regard to the prices actually quoted when it was believed by one or more members that the directions as to prices in the pricing material had not been followed. While it may be that some members entered into these discussions with different motives than others, it is the opinion of the Commission that the practice of engaging in such discussions against the background of the common pricing material accepted by the group has operated to the disadvantage of the public in particular instances and also has assisted in maintaining a general condition of lessened competition which would have a tendency toward higher prices than could be expected in the absence of the practice.

The evidence as to quotations prepared by Forano before and after discussion with another member of the Institute, which has been set out in detail in the previous chapter, makes it clear that in those cases the prospective customer had been deprived of fully competitive tenders. Whether Forano would have actually tendered on the basis of its original estimate is not the decisive element. It may be that its own independent appraisal would have led the company, in certain instances, to submit a higher price than it first worked out. Nevertheless the Commission believes that the prices arrived at independently would have been more competitive than those which were made as the result of the agreement which officials of Forano considered they were fulfilling.

On the evidence as a whole the Commission believes that the preparation and circulation of Institute pricing material has encouraged and facilitated exchange of information among competitors in the Institute about prospective and actual quotations on tenders.

We feel that where such exchange of information was made before tenders were submitted it was for the purpose of securing as much uniformity as possible in the various prices tendered. Even though the result may not have been identical total prices, there was interference with the system of competitive bidding which must have been to the actual or potential disadvantage of the prospective purchaser.

The review of the evidence in the preceding chapters of this report makes clear that unless some arrangement was made to the contrary, members of the Institute were expected to follow the directions contained in the pricing material. A further example of this understanding is the following letter of July 9, 1952, from L. P. Hebert to J. A. Forand, both of Forano:

"Through our Port Arthur Agent, Roy Gibbon Agencies, we have received, early last month, an inquiry for one Belt Conveyor and one Chain Conveyor for Marathon Paper Mills of Marathon, Ont.

According to the Association set-up, the steel frame should have been priced at \$0.20 per pound plus 115% or a net price of \$0.43 per pound. Our price has been quoted on the basis of \$0.35 per pound for these steel frames.

The machinery has been priced in strict accordance with the Association set-up and we have applied full engineering charges.

In his letter of July 3rd, Roy Gibbon informs us that the order for the equipment in question has been placed at a price more than \$1,000.00 lower than ours and the delivery offered being four to five weeks against our quote of eight to ten weeks.

Although Roy Gibbon mentions he is not definite, he has been led to believe, from the conversation he had with his customer, that Link-Belt received the job.

The above transaction proves that our competitor Link-Belt Limited is not following the Institute Rules and the information given in this letter might prove of help at a later date at an Institute Meeting."

(FOP-9-4, Serial 988)

The indication here, as in a number of other instances in the evidence, is that higher prices would have been quoted if the Institute pricing material had been followed. The Commission is of the opinion that the general effect of the practices followed by members of the Institute in regard to the circulation and use of common pricing material has been in the direction of higher prices than would otherwise have been quoted.

4. Element of Control by Institute Members

A great deal of argument was heard by the Commission in regard to the question of what control in the industry was possessed by members of the Institute. This had particular relation to that portion of the Statement of Evidence which read:

" . . . The domination of the industry by the members which is alleged was in the design and installation of so-called complete units and in the supplying of products special to the field. . . ."

In support of this allegation the Director cited a document prepared by John Farley, President of Link-Belt, which is dated September 30, 1952, and headed "Competition in Canada" (LBT-5-1, 5-1-2, 5-1-3, 5-1-4, Serials 6594-95-96-97). During the inquiry Mr. Farley stated in evidence that the document expressed his views or opinions as to the situation in Canada in the period it covers.

In the document Mr. Farley referred to the setting up in Canada of plants by Link-Belt, Jeffrey and Stephens-Adamson and to the history of Dodge, Plessisville Foundry (Forano) and Fittings Limited. The latter company is said to make chain which is not sold direct but distributed principally through Dodge, Stephens-Adamson and Plessisville Foundry. The document then goes on:

"As of 1930, the bulk of the conveying and power transmission business in Canada was being done by the companies described in the foregoing, with Bond Engineering and a company called Webster-Inglis, which was a manufacturing arrangement between Webster in the U. S. and a company in Toronto called John Inglis, as smaller factors. This situation continued through to the end of the last war with comparatively little disturbance. There were a few small Canadian companies who would periodically bid on some particular inquiry which looked good to them but such competition was not at any time very serious.

We have been encountering a different situation since the end of the war and, particularly, during the last two or three years. Apparently, the publicity Canada has been getting in the United States concerning raw material resources, plant expansion during the war, future potential etc. caused a lot of companies in the States, including some in our lines of manufacture, to consider their position in respect to the Canadian market. It would appear as if a number have concluded that they must make a start in Canada or they may find themselves too late for the future."

(LBT-5-1-2, Serial 6595)

The document then describes the entrance of several new firms into the Canadian market and states that Mathews Conveyor Company, with a plant at Port Hope for about 25 years, has had "the largest part of the light conveyor work in Canada." In regard to the situation brought about by the new entrants the document states:

"At least so far, none of the newcomers have caused us particularly serious competition. It will require time for them to develop both organizations and manufacturing facilities. We feel confident that our present plant and the new plant in Scarboro will enable us to keep well ahead of them.

We have been encountering a different kind of competition in the last couple of years which is more difficult to meet. It applies particularly to certain products which can be sold as merchandise through agents."

(LBT-5-1-3, Serial 6596)

Mr. Farley in the document then describes efforts made to sell more British goods in Canada and comments:

". . . Their opinion seemed to be that they could not hope to sell much engineered equipment in this country but they might be able to sell some of their individual products,

As it has developed, we have had very severe competition from Britain on gear reducers and belt conveyor idlers and, to some extent, on H-class chain in British Columbia. It is a particularly vulnerable market from the standpoint of a Canadian manufacturer because British Columbia always has depended heavily on Britain for the sale of the products of their pre-dominating lumber and fishing industries and any British Columbian in any way connected with these industries would welcome the opportunity to buy in Britain, particularly with the price advantage which exists.

This British competition has not been as serious east of the Rockies, although we are seeing indications that it is developing. . . ."

(LBT-5-1-3, 5-1-4,
Serials 6596-97)

When Mr. Farley was asked during the inquiry to comment on any changes which had taken place since he prepared the document of September 30, 1952, he testified:

"A. I would say the competition, for one thing, is a great deal keener to-day than it was when I wrote that."

(Evidence, p. 703)

There is the correspondence of A. R. McPherson of Strong-Scott, quoted earlier, in which Mr. McPherson indicates that in the case of certain classes of equipment he has no option but to make purchases from a member of the Institute and makes the comment that "For many years, Conveyor prices in Canada have been pretty well dictated by Link-Belt and United Steel, together with a few of the other Eastern Canadian Manufacturers " (SSW-2-1, Serial 15756).

Included in the material put before the Commission by the Director of Investigation and Research were various returns and correspondence relating to invitations to quote or tender on certain jobs. The collection of this material is described as follows in the Statement of Evidence:

"35. About the end of 1950 a system of reporting to the Institute office on all tenders or quotations was set up. The final form of report which was evolved, after discussion, seems to have been that suggested by W. T. E. Smith of United Steel (Serials 10272-75). It consisted of three parts - the first headed 'INQUIRY' was submitted when a member of the Institute had received an inquiry. The second was headed 'QUOTATION' and was submitted when the member had quoted. The third was headed 'DISPOSITION' and was submitted when a member learned of the final disposition of the inquiry. The forms were printed so that the second part included a reproduction of the first and the third part included a reproduction of the first two. The form was thus cumulative and the third part contained a complete record. . . .

. . .

Speaking very generally, Link-Belt, United Steel, and Jeffrey seem to have reported fairly regularly. Forano or Stephens-Adamson do not appear to have reported at all, . . .

A number of these forms were among the documents selected from the offices of the Institute and of some of the members. In those cases where it was practical to do so, approximately sixty-five in all, particulars were obtained from the purchaser or inquirer as to the manner in which quotations were invited, the number of firms who quoted, the price quoted by each, etc. This information was obtained largely but not entirely by return under oath or affirmation pursuant to Orders authorized by the Commission. In some cases the information was obtained by letter and in others the original information was clarified by further correspondence. The whole of this material is being placed before the Commission. Because of the short period covered and because only some of the members reported on these forms, the effect of the material is limited. "

Counsel for some of the manufacturers appearing before the Commission considered that the information obtained in this manner was significant although pointing out that the accumulation was entirely a fortuitous thing depending upon the forms filed with the Institute by those members who happened to report. The correspondence and returns in connection with this matter were filed with the Commission in two exhibits, H 11 and H 12. The number of separate inquiries listed totals 72, but in a number of cases the inquiries for quotations could not be traced. On the other hand, some replies dealt with several invitations to tender or submit quotations. The inquiries dealt with were initiated in the years 1952 and 1953. On examination it appears that there are 64 instances included in the exhibits for which the details are sufficiently clear to ascertain the number of firms invited to submit quotations or tenders. These may be tabulated as follows:

In 15 instances 1 Institute member(s) and no others invited to quote										
" 11	"	2	"	"	"	"	"	"	"	"
" 7	"	3	"	"	"	"	"	"	"	"
" 2	"	4	"	"	"	"	"	"	"	"
" 6	"	1	"	"	"	1 other(s)	"	"	"	"
" 1	"	1	"	"	"	2	"	"	"	"
" 5	"	2	"	"	"	1	"	"	"	"
" 1	"	2	"	"	"	2	"	"	"	"
" 2	"	3	"	"	"	4	"	"	"	"
" 6	"	4	"	"	"	1	"	"	"	"
" 2	"	4	"	"	"	2	"	"	"	"
" 1	"	4	"	"	"	3	"	"	"	"
" 1	"	4	"	"	"	6	"	"	"	"
" 1	"	5	"	"	"	3	"	"	"	"
" 3	"									
						1 other firm alone invited to quote				

Total 64

It will be seen from the foregoing table that in 35 cases only members of the Institute were asked for quotations or invited to tender and that in 15 of these instances only a single firm was approached.

In about 20% of the 64 instances the project was not proceeded with and in some other cases the specifications were changed or other alterations made so that no action was taken with respect to the original quotations received. It seems reasonable to conclude that some of these projects were abandoned because of the prospective cost as indicated by the quotations which were received. This would be contrary to the views expressed by G. A. Freeman of Stephens-Adamson in his letter of June 6, 1950, quoted in the previous chapter, "that there is no new business actually created because prices are cut" (SAM-12-43-3, Serial 3262). If projects are abandoned because the cost is considered too large more business might be secured

with lower prices.

In a number of instances it would appear that the non-Institute firms invited to submit quotations actually offered equipment made by one or other of the Institute members and in some cases they were apparently regarded as local representatives of the manufacturers.

In most instances the total amounts quoted both by Institute and non-Institute firms differ on the same tender although in some instances the amounts are very close. It has already been pointed out that identical bids are unlikely in the industry even if the same pricing material was used. In the instances included in Exhibits H 11 and H 12 some major differences in quotations are attributed to differences in the specifications or types of equipment on which offers were made.

While the Commission has not found that the material contained in Exhibits H 11 and H 12 is of a conclusive character we consider that it does show that in some cases prospective buyers were satisfied to restrict their inquiries to one or more members of the Institute and that, on the whole, the manufacturers in the Institute occupied an important position in the supply of the equipment in demand during the period to which the information relates.

The Commission does not believe that the question of detrimental effects to the public in the circumstances disclosed in this inquiry depends upon whether those following common practices with respect to prices and conditions of sale have complete or almost complete control of an entire industry. If the common practices limit competition in the manner already described on the part of a number of firms occupying important positions in the field, then the public is deprived of free and open competition in a large sector of the market. The fact that there may be other firms whose prices are arrived at independently does not obviate the detrimental effects of a lessening of competition on the part of an important group of suppliers. The public is entitled to seek to make purchases from all firms engaged in a particular field of industry on the basis that each is striving competitively to secure business. The closing off of an important portion of the market by practices aiming at the lessening of competitive bidding in terms of price can only work to the disadvantage of the public.

CHAPTER VIII

CONCLUSIONS

The effects which the Commission has found to flow from the practices engaged in by members of the Conveyor and Power Transmission Institute of Canada involve such elements of disadvantage and danger to the public interest as to be clearly detrimental. The main element of detriment arises from the substantial interference with the independent pricing of merchandise and complete units, so-called in the industry, on the part of firms occupying important positions in the trade. Various other effects having actual or potential features of detriment have been found to result from the pricing practices as described in previous sections of this report. Among these is the tendency toward inflexibility and rigidity in the pricing structure which, while exposing the public to the danger of having to pay arbitrary prices, may impede the most effective long-run development of the industry as well as the short-run adjustments which are necessary in competitive enterprise. Recognition on the part of some firms of such disadvantages from the viewpoint of the industry itself is indicated in some portions of the evidence when the restrictions have been considered as operating to the disadvantage of the particular companies. In the case of Strong-Scott this led to this company, in 1953, refusing to follow the common pricing arrangements in relation to certain classes of equipment. In the case of Jeffrey efforts were made in 1952 to work out a reciprocal arrangement with United Steel in regard to the trade in malleable buckets whose sale by Jeffrey was considered to be prejudicially affected by the common pricing practices (JEM-5-1, Serial 2385). The fact that actions of this kind were considered necessary by the individual firms indicates the element of restriction involved in the common pricing practices which had been accepted as long as it was not considered harmful to the company's own interests. While adjustments made in such circumstances may be regarded as the result of competitive pressures they are dictated by the company's private interests. The taking of such actions cannot be relied upon for the protection of the public interest against restrictions which may be maintained as long as they appear to offer advantages to those participating in them.

The Commission has also found that the practices with respect to common pricing material have facilitated and encouraged exchange of information among members of the Institute with respect to the pricing of particular pieces of equipment in connection with the preparation of tenders and, on some occasions with respect to the price bid for the complete tender. Such exchange of information in

advance of the submission of quotations by individual firms has undoubtedly rendered less competitive the bids which were offered to prospective buyers and thus deprived such customers of the opportunity of selecting the bidder on the basis of genuinely competitive tenders. Such instances point in very positive form to the detriment suffered by the public when deprived of the safeguard of prices determined on a freely competitive basis. The same element of detriment exists, although not as readily discernible, in the practice of pricing component elements of equipment on a common basis even though independent judgment is used by individual companies in the estimating of quantities of material and selection of equipment in preparing a quotation. The circulation of the common pricing material through the Institute was intended to have prices kept at a higher level than would have resulted if prices had been determined independently on a competitive basis and the evidence makes clear that the opportunities afforded by Institute activities were employed in seeking this result.

In the descriptions of the various members of the Institute in an earlier section of this report it was pointed out that considerable differences existed in the nature of operations carried on by the several companies. It was noted that Webster-Smallwood possesses no manufacturing facilities and is engaged in the conveyor field to a very limited extent. Webster-Smallwood resigned from the Institute in 1952, before the inquiry commenced and the last occasion on which a representative of the company is shown as attending a meeting of the Institute is on August 28, 1947.

Although remaining a member of the Institute and continuing to have one or more representatives in attendance at some meetings of the Institute in recent years, Bond Engineering Works Limited has, for some time, been interested in only a few lines among those which are embraced by the pricing material circulated by the Institute. Mr. Harvey Graham, General Manager of Bond, has been Treasurer of the Institute for a number of years.

With respect to participation of the manufacturers in the Prairie Provinces in the arrangements carried on through the Institute, the Director has alleged:

- "(14) The role of the so-called 'Prairie Manufacturers' in the arrangements of the members of the Institute appears to have been comparatively minor and to have consisted essentially in following the prices and pricing practices established by the members of the Institute."

It was argued on behalf of both western and eastern manufacturers that the receipt of Institute pricing material by the Prairie manufacturers amounted to nothing more than the sending of information by an individual supplier to a customer as to the prices

at which goods could be purchased. It appears to be the case that western manufacturers, when necessary, purchase certain items from eastern manufacturers as, indeed, one Institute member may make purchases from another to secure needed items.

The evidence reviewed earlier in this report, indicates that on the part of the eastern manufacturers, at least, the relationship of the Prairie manufacturers to the pricing practices of the members of the Institute was considered to be more than the mere dealing between a supplier and a customer. This may be further illustrated by the evidence of W. T. E. Smith when he was examined by counsel for United Steel in regard to certain correspondence during the period when Mr. Smith was an official of Link-Belt. Mr. Smith's testimony is as follows:

- "Q. Now then, when my friend was dealing with items Nos. 16676 and 16675, which was a letter by you to the Standard Iron Works dated September 8th, 1937, you spoke about a new system of pricing cast iron pulleys and that you did not yet have the approval of the Western Group. Now, were you dealing with a Link-Belt product?
- A. Surely.
- Q. Yes, and in the pricing of that you were discussing, and of which you were advising him, was that a Link-Belt pricing?
- A. Yes, that was a Link-Belt pricing.
- Q. Do you recall whether or not you were seeking approval from him -- did Standard Iron Works handle your products?
- A. Yes, they sold our products.
- Q. They sold your products. Were they in competition with you since they also manufactured the same product, or a similar product?
- A. Yes, a similar product.
- Q. And you were attempting to secure their agreement on what pricing -- the pricing you were to charge them, or the pricing at which they would re-sell your product?
- A. Both."

(Evidence, pp. 654-55)

It is obvious that if the Prairie manufacturers were making products closely similar to those made by Link-Belt and

agreement was secured on the selling prices accepted by Institute members then the common price arrangements of Institute members would be extended to such products.

The evidence indicates that in the case of most of the companies named as Prairie manufacturers, the proportion of their sales in the conveyor field has been relatively small, at least in recent years. In the case of Standard Iron the proportion was stated to be less than 1/2 of 1%; in the case of Riverside, less than 1%; in the case of Manitoba Bridge, less than 3% and in the case of Vulcan, the proportion was given as about 10% of which 3% would consist of material purchased from other firms. In the case of Strong-Scott, the company has enlarged its manufacturing facilities to produce some items which it formerly purchased. It has also sought alternative sources of supply and, as described earlier, has adopted an independent pricing policy with respect to certain classes of equipment.

Price sheets for the Prairie Provinces continued to be prepared as part of the Institute pricing material and copies were sent to the Prairie manufacturers. Representatives of the Prairie manufacturers, who gave testimony in the inquiry, disclaimed any knowledge of the "Prairie Agreement" and denied the existence of any arrangements between Eastern and Western manufacturers with respect to common prices. The continued circulation of the price sheets embodying the common prices of Institute members is practically the only evidence in recent years relating the Prairie manufacturers in any way to the arrangements among Institute members. The evidence is indefinite as to the use to which these price sheets were put by the various manufacturers in the Prairie Provinces and it is clear that in most cases the sale of articles covered by such price sheets formed a very small part of the business of the respective companies. There is no evidence that in recent years any of the Prairie manufacturers participated in any way in the activities of the Institute in the preparation of the Institute pricing material. On the whole, the evidence available to the Commission cannot be held to prove that Prairie manufacturers were parties to the arrangements among Institute members.

The price list of the Prairie manufacturers relating to grain elevator equipment was prepared independently of the pricing material circulated through the Institute. While it consisted in part, of the prices of the special products of individual manufacturers it is the opinion of the Commission that the evidence shows that the list was worked out by discussion among the manufacturers in Winnipeg and embraced some products which were made by more than one firm or which were purchased by several firms from suppliers outside this group. The Commission also believes that the purpose of the list was to have the several manufacturers use common selling prices in the sale of the products so listed, and thus to the extent to which this practice operated it would have the effect of depriving the public of

the safeguard of price competition.

From the evidence obtained in the inquiry the Director came to the conclusion that competition from firms outside the Institute was becoming of greater importance in the transmission and conveyor fields. The Director's view, included previously in the summary of allegations, was expressed as follows:

"(16) The evidence indicates that at the date of the inquiry various factors, the chief of which appears to have been the entry of United States firms into the Canadian market, were increasing competition in the industry and tending to break down the control previously exercised by the members of the Institute."

In the opinion of the Commission the evidence supports this conclusion of more active competition in recent years. At the time of the hearing (May 1955) counsel for the Director stated:

"... Beginning in 1950 certain American firms entered and at the time of the inquiry there is no question about it, the thing was loosening up. As of today I doubt very much that anyone could argue that there is a combine in this industry."

(Transcript, p. 747)

However, evidence was not adduced before the Commission as to the effect of the increasing competition just referred to upon the arrangements and practices among the members of the Institute which have been discussed in this report.

The Commission does not believe that reliance can be placed upon such competition alone to prevent the detrimental effects which the Commission has found in the common pricing practices of the members of the Institute. In the opinion of the Commission the protection of the public interest requires that the practices and arrangements directed toward the establishing and maintaining of common prices and scales of discounts or charges should be terminated. If, to guard against the resumption of activities directed to a similar end it is considered

that the parties should be placed under a judicial restraining order, application could be made for a court order under the provisions of the Combines Investigation Act.

(Sgd.) C. R. Smith

Chairman

(Sgd.) A. S. Whiteley

Member

(Sgd.) Guy Roberge

Member

Ottawa,
December 12, 1955

APPENDIX - STATISTICAL TABLES

TABLE 'A'

CONVEYING EQUIPMENT AND PARTS - INCLUDING IMPORTS

[Production in Canada]		(Grain Elevator Machinery & Parts not included)					U. S. Exports to Canada	
Year	Institute Members	Firms in Machinery Industry Includes 1	All Firms Incl. Firms in 2 & 1	Imports 1948-1952	Duty on Items in 4	Total of 3, 4 & 5	Percentages (See Table F)	
1.	2.	3.	4.	5.	6.	7.	8.	
1938	856, 629		1, 189, 177					1, 672, 434
1939	814, 833		1, 087, 224					1, 740, 818
1940	1, 473, 875		2, 062, 101					2, 523, 182
1941	2, 255, 831		3, 247, 396					3, 807, 403
1942	2, 260, 930		3, 362, 784					5, 271, 044
1943	1, 948, 976	3, 134, 327	2, 953, 098					3, 708, 336
1944	1, 324, 381	2, 783, 173	2, 208, 837					3, 101, 699
1945	1, 610, 505	2, 093, 671	3, 068, 882					5, 547, 623
1946	1, 906, 763	2, 713, 922	3, 649, 529					4, 129, 971
1947	3, 927, 463	3, 458, 268	6, 239, 093					
1948	3, 663, 297	5, 990, 382	6, 128, 449	2, 788, 124	498, 012	9, 414, 585	38. 91%	
1949	3, 551, 105	5, 921, 219	6, 606, 523	2, 827, 618	491, 380	9, 925, 521	35. 78%	
1950	3, 568, 745	5, 924, 523	7, 300, 227	2, 618, 268	436, 527	10, 355, 022	34. 46%	
1951	7, 150, 657	6, 569, 599	11, 165, 656	4, 233, 416	679, 604	15, 399, 072	46. 44%	
1952	7, 002, 268	10, 918, 667	12, 518, 698	6, 016, 074	865, 005	19, 399, 777	36. 09%	
		11, 332, 554						

Table A, continued

Source - Col's 1, 2 & 3 - Table II, Statement of Evidence

[According to the Statement of Evidence production figures were taken from the D. B. S. reports of "The Machinery Industry" and represent selling value at the works of conveyors, belt type; bucket elevators; other conveying machinery, including parts in each case]

Col. 4

- Table VI, Statement of Evidence

[According to the Statement of Evidence import figures only cover conveying equipment imported under Tariff Items 427 and 427a, which are as follows:

"427 All machinery composed wholly or in part of iron or steel, n.o.p., and complete parts thereof."

"427a All machinery composed wholly or in part of iron or steel, n.o.p., of a class or kind not made in Canada; complete parts of the foregoing."

Conveying equipment is imported under other tariff items for which no breakdown by commodities is available]

Col. 5

- Trade of Canada

(Exhibit H-1)

TABLE 'B'

POWER TRANSMISSION MACHINERY - INCLUDING IMPORTS

[Production in Canada]

Year	1.	2.	3.	4.	5.	6.	7.	8.	9.
	Institute Members	Firms in Machinery Industry Includes 1	All Firms incl. Firms in 2 & 1	Chain Imports	Duty on RC and Silent Chain	Duty on Chain N. O. P.	Total of 3, 4, 5 & 6	Percent- ages of 1 to 7	U. S. Exports to Canada (See Table F)
1938	1,042,959		1,400,579	442,748					
1939	866,198		1,183,504	444,864					
1940	1,434,622		2,076,187	809,327					
1941	1,959,297		3,895,469	1,007,562					
1942	2,002,317	3,882,792	4,122,086	992,886	39,503	80,875	5,235,250	38.25	
1943	1,782,514	4,270,671	4,424,682	1,027,553	32,345	126,838	5,611,418	31.77	
1944	2,040,079	4,100,683	4,371,124	1,216,070	46,551	80,226	5,713,971	35.70	666,886
1945	1,999,275	4,300,595	4,895,607	1,352,612	45,617	80,518	6,374,354	31.36	741,994
1946	2,403,591	4,695,447	4,881,783	1,324,487	47,560	66,007	6,319,837	38.03	913,827
1947	4,062,102	7,107,282	8,282,084	2,017,892	99,666	120,570	10,520,212	38.61	1,408,424
1948	5,724,750	11,570,023	13,157,256	3,310,267	120,073	158,162	16,745,758	34.19	2,076,927
1949	4,824,199	10,344,511	10,751,170	3,188,283	98,566	124,145	14,162,164	34.06	2,007,899
1950	4,130,604	11,351,497	12,547,178	2,697,972	83,153	144,350	15,472,653	26.70	1,912,161
1951	5,641,180	15,963,814	17,018,318	3,871,996	139,671	179,132	21,209,117	26.60	3,171,899
1952	6,303,893	16,380,039	17,918,109	4,190,094	145,888	215,177	22,931,198	30.12	10,353,914

Table 'B' Continued

Source - Col's. 1, 2 & 3 - Table III, Statement of Evidence

[According to the Statement of Evidence production figures were taken from the D. B. S. reports of "The Machinery Industry" and represent selling value at the works of the following transmission machinery: bearings and pillow blocks, cut tooth and cast tooth gears, flexible couplings, pulleys, sprocket chain and drive chain, speed reducer units, v-belt drives, other transmission machinery, parts for transmission machinery]

Col. 4

- Total from Table V, Statement of Evidence

[According to the Statement of Evidence import figures cover malleable sprocket chain and link belting chain, of iron or steel, including roller chain of all kinds for operating on steel sprockets or gears for the manufacture of agricultural implements; silent chain and finished roller chain, of iron or steel, and complete parts thereof, of a class or kind not made in Canada, n. o. p., either chain of the type which operates over gears or sprockets with machine-cut teeth and chains of iron or steel, n. o. p., and complete parts thereof]

Col's 5 & 6

- Trade of Canada

(Exhibit H-1, continued)

TABLE 'C'

COMBINED CONVEYING MACHINERY & POWER TRANSMISSION MACHINERY - INCLUDING IMPORTS

[Production in Canada]

Year	1.	2.	3.	4.	5.	6.	7.	8.
	Institute Members	Firms in Machinery Industry Includes 1	All Firms incl. Firms in 2 & 1	Convey. Mach. Imports & Duty	P. T. M. Chain Imports & Duty	Total of 3, 4 & 5	Percent-ages of 1 to 6	U. S. Ex-ports to Canada (See Table F)
1938	1,899,588		2,589,756		1,113,264	8,598,134	49.58	
1939	1,681,031		2,270,728		1,186,736	8,564,516	43.57	
1940	2,908,497		4,138,288		1,342,847	7,922,808	42.47	
1941	4,215,128		7,142,865		1,478,747	9,443,236	38.23	2,339,320
1942	4,263,247	7,017,119	7,484,870		1,438,054	9,969,366	43.24	2,482,812
1943	3,731,490	7,053,844	7,377,780		2,238,128	16,759,305	47.67	3,437,009
1944	3,364,459	6,194,354	6,579,961		3,588,502	26,160,343	35.89	5,215,827
1945	3,609,780	7,014,517	7,964,489		3,410,994	24,087,685	34.77	7,347,971
1946	4,310,354	8,153,715	8,531,312		2,925,475	25,827,675	29.81	5,716,235
1947	7,989,565	13,097,664	14,521,177		4,190,799	37,287,793	34.31	5,013,860
1948	9,388,047	17,491,242	19,285,705	3,286,136	4,551,159	41,869,045	31.78	8,719,522
1949	8,375,304	16,269,034	17,357,693	3,318,998				14,483,885
1950	7,699,349	17,921,096	19,847,405	3,054,795				
1951	12,791,837	26,882,481	28,183,974	4,913,020				
1952	13,306,161	27,712,593	30,436,807	6,881,079				

Source - Col's 1, 2 & 3 - 1st three columns of Tables II & III combined from Statement of Evidence

Col. 4 - Total of columns 4 & 5 of Table "A"

Col. 5 - Total of columns 4, 5 & 6 of Table "B"

(Exhibit H-1, continued)

TABLE 'D'

GRAIN ELEVATOR MACHINERY & PARTS

[Production in Canada]

<u>Year</u>	1.	2.
	<u>Institute Members</u>	<u>All Others</u>
1938		
1939		
1940		
1941		
1942		
1943		
1944	151,000	680,016
1945	180,000	331,492
1946	165,000	598,276
1947	371,000	1,003,130
1948	550,000	1,025,544
1949	550,000	976,136
1950	496,000	1,251,330
1951	521,000	1,417,006
1952	539,000	2,050,298

1. Source - As reported by Institute Members on D. B. S.
Annual Returns

2. Source - D. B. S. Annual Publication "The Machinery Industry".

(Exhibit H-1, continued)

TABLE 'E'

COMBINED CONVEYING EQUIPMENT & GRAIN ELEVATOR MACHINERY

Including Imports of Conveying Equipment

1.	2.	3.	4.	5.	6.
Year	Institute Members	Imports 1948-1952	Duty on Items in 3	Total of 2, 3 & 4	Percentage of 1 to 5
	All Firms				
1944	1,475,381	2,888,853			
1945	1,790,505	3,400,374			
1946	2,071,763	4,247,805			
1947	4,298,463	7,242,223			
1948	4,213,297	7,153,993	2,788,124	10,440,129	41.36%
1949	4,101,105	7,582,659	2,827,618	10,901,657	37.62%
1950	4,064,745	8,551,557	2,618,268	11,606,352	35.02%
1951	7,671,657	12,582,662	4,233,416	17,495,682	43.85%
1952	7,541,268	14,568,996	6,016,074	21,450,075	35.16%

Source - Col. 1 - Total of column 1, Table 'A' and column 1, Table 'D'

Col. 2 - Total of column 3, Table 'A' and column 2, Table 'D'

Col. 3 - Column 4, Table 'A'

Col. 4 - Column 5, Table 'A'

(Exhibit H-1, continued)

TABLE 'F'

CONVEYING MACHINERY & POWERAs Reported by United

<u>Commodity Class. # 1952</u>	<u>Commodity Class. # Prior 1952</u>		<u>1944</u>	<u>1945</u>	<u>1946</u>
		<u>Conveying Equipment</u>			
	724900	Conveyors, bucket, chain or belt	121,494	167,757	201,003
724905		Chain, Belt & Shaking Conveyors, Underground Mine Type			
724910		Parts, N. E. C., Specially Fabricated for Underground Mine Type Chain, Belt & Shaking Conveyors			
724920		Overhead Track & Trolley Conveyors, & specially fabricated parts & accessories, N. E. C.			
724925		Materials Handling equip. & parts Cableways, & specially Fabricated Parts & Accessories, N. E. C.			
724935		Car Dumping & un- loading devices, N. E. C. & specially fabricated parts & accessories, N. E. C.			
724965		Conveying Equipment, N. E. C. & specially fabricated parts & accessories, N. E. C.			

TRANSMISSION MACHINERY EXPORTS TO CANADA

States Department of Commerce

<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>
341,237	451,090	411,738	295,972	528,896	
					177,588
					106,457
					560,175
					66,785
					58,577
					3,145,152

[Table 'F' continued]

(Exhibit H-1, continued)

Table 'F', continued

Commodity Class. # 1952	Commodity Class. # Prior 1952		<u>1944</u>	<u>1945</u>	<u>1946</u>
		Conveying Equipment (continued)			
725035		Stackers (Portable Elevators)			
	729100	Conveying equipment & parts, N. E. S.	<u>1, 550, 940</u>	<u>1, 573, 061</u>	<u>2, 322, 179</u>
		TOTAL CONVEYING EQUIPMENT	<u>1, 672, 434</u>	<u>1, 740, 818</u>	<u>2, 523, 182</u>
		<u>P. T. M. Chain & Other Power Transmission Items</u>			
	619100	Sprocket & other Power Transmission chains, iron and steel	<u>666, 886</u>	<u>741, 994</u>	<u>913, 827</u>
	618994	Sprocket & other Power Transmission chains, iron and steel, and specially fabricated parts, N. E. C.			
	*775400	Power Transmission Systems, Mechanical & Hydraulic (except Vehicular), & specially fabricated parts & accessories, N. E. C.			
		TOTAL CHAIN & POWER TRANSMISSION	<u>666, 886</u>	<u>741, 994</u>	<u>913, 827</u>
		COMBINED TOTAL	<u><u>2, 339, 320</u></u>	<u><u>2, 482, 812</u></u>	<u><u>3, 437, 009</u></u>

* Presumably items included in 775400 class were previously included in some basket item but it seems fair to assume that this would be a sizeable item for the other years if it could be segregated.

<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>
					15,237
<u>3,466,166</u>	<u>4,819,954</u>	<u>3,296,598</u>	<u>2,805,727</u>	<u>5,018,727</u>	
<u>3,807,403</u>	<u>5,271,044</u>	<u>3,708,336</u>	<u>3,101,699</u>	<u>5,547,623</u>	<u>4,129,971</u>
1,408,424	2,076,927	2,007,899	1,912,161	3,171,899	
					3,048,011
					7,305,903
<u>1,408,424</u>	<u>2,076,927</u>	<u>2,007,899</u>	<u>1,912,161</u>	<u>3,171,899</u>	<u>10,353,914</u>
<u>5,215,827</u>	<u>7,347,971</u>	<u>5,716,235</u>	<u>5,013,860</u>	<u>8,719,522</u>	<u>14,483,885</u>

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